OFFERING MEMORANDUM

Imperial Brands Finance PLC
(incorporated with limited liability in England and Wales with registered number 03214426)

US$1,000,000,000 6.125 per cent Senior Notes due 2027

guaranteed by

Imperial Brands PLC
(incorporated with limited liability in England and Wales with registered number 03236483)
Imperial Tobacco Limited
(incorporated with limited liability in England and Wales with registered number 01860181)

Imperial Brands Finance PLC (the **Issuer**) is offering (the **Offering**) US$1,000,000,000 6.125 per cent Senior Notes due 2027 (the **Notes**). Subject to the provisions of the Indenture (as defined herein), Imperial Brands PLC (**Imperial Brands** or **IB** and, together with its subsidiaries, the **Imperial Brands Group** or the **Group**) and Imperial Tobacco Limited (**ITL** and, together with Imperial Brands, the **Guarantors**) are fully guaranteeing all payments by the Issuer in respect of any sums due under the Indenture and the Notes subject to certain guarantor release and substitution provisions as described in "*Description of the Notes and the Guarantees—Covenants of the Issuer—Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors; Additional Guarantors*".

Interest on the Notes is payable semi-annually in arrears on 27 January and 27 July of each year, commencing on 27 January 2023. The Notes will mature on 27 July 2027 (the **Maturity Date**).

The Notes will be the Issuer's unsecured and unsubordinated obligations and will rank *pari passu* in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the Issuer (save for certain obligations required to be preferred by law). The guarantees of the Notes (the **Guarantees**) will be unsecured and unsubordinated obligations of each Guarantor and will rank *pari passu* in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the relevant Guarantor (save for certain obligations required to be preferred by law).

The Issuer may redeem the Notes in whole or in part prior to their Maturity Date at the redemption prices specified in this offering memorandum (the **Offering Memorandum**). See "*Description of the Notes and the Guarantees—Optional Redemption*". For a more detailed description of the Notes, see "*Description of the Notes and the Guarantees*".

Investing in the Notes involves risks. For a discussion of these risks, see "*Risk Factors*" beginning on page 13.

The Notes and the Guarantees have not been, and will not be, registered under the US Securities Act of 1933, as amended (the **Securities Act**), or the securities laws of any state of the United States or other jurisdiction. The Notes and the Guarantees are being offered and sold within the United States only to qualified institutional buyers (**QIBs**) within the meaning of Rule 144A (**Rule 144A**) under the Securities Act and to persons who are not US persons (as defined in Regulation S (**Regulation S**) under the Securities Act) purchasing the Notes and the Guarantees outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers that are QIBs are hereby notified that the seller of the Notes and the Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Notes, see "*Transfer Restrictions*".

Issue Price: 98.956 per cent of the principal amount of the Notes.

Imperial Brands has a long-term solicited credit rating of Baa3 (stable outlook) by Moody's Investors Service Ltd. (**Moody's**), BBB (stable outlook) by S&P Global Ratings UK Limited (**S&P**) and BBB (stable outlook) by Fitch Ratings Ltd (**Fitch**). It is expected that the Notes will be rated Baa3 by Moody's and BBB by S&P. Moody's, S&P and Fitch are established in the United Kingdom and registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**). None of Moody's, S&P or Fitch is established in the European Economic Area (the **EEA**) or has applied for registration under Regulation (EC) No. 1060/2009, as amended (the **CRA Regulation**). The ratings issued by Moody's, S&P and Fitch have been endorsed by Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited, respectively, in accordance with the CRA Regulation. Each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is established in the EEA and is registered under the CRA Regulation. As such, each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at *http://www.esma.europa.eu/page/List-registered-andcertified-CRAs*) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

This Offering Memorandum comprises listing particulars in relation to the Issuer and the Guarantors given in compliance with the listing rules made under Section 73A(2) of the Financial Services and Markets Act 2000, as amended (the **FSMA**) by the UK Financial Conduct Authority (the **FCA**). This Offering Memorandum is neither (i) a prospectus for the purposes of Part VI of the FSMA nor (ii) a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA (the **UK Prospectus Regulation**). The FCA only approves this Offering Memorandum as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation, as required by listing rule 4.2.3. Such approval should not be considered as an endorsement of the Issuer or the Guarantors, or an endorsement of the quality of the Notes that are the subject of this Offering Memorandum. Investors should make their own assessment as to the suitability of investing in such Notes.

Application has been made to the FCA, in its capacity as competent authority, for the Notes to be listed on the official list (the **Official List**) of the FCA and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market (the **Professional Securities Market**). The Professional Securities Market is not a regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (**UK MiFIR**). Admission to the Official List together with admission to trading on the Professional Securities Market constitutes official listing on the London Stock Exchange.

The Notes will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Initial Purchasers (as defined herein) expect to deliver the Notes to purchasers in book-entry form through the facilities of The Depository Trust Company (**DTC**) and its participants, including Clearstream Banking, S.A. (**Clearstream, Luxembourg**) and Euroclear Bank SA/NV (**Euroclear**), against payment in immediately available funds on or about 27 July 2022.

Joint Book-Running Managers

BofA Securities **HSBC** **Mizuho Securities** **MUFG**

Standard Chartered Bank **Wells Fargo Securities**

Co-managers

COMMERZBANK **Emirates NBD Capital**

The date of this Offering Memorandum is 25 July 2022

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This Offering Memorandum comprises listing particulars with regard to the Issuer, the Guarantors and the Notes in accordance with the listing rules made under Section 73A of the FSMA. No prospectus is required in accordance with Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA for the issuance of the Notes.

This Offering Memorandum has been prepared by the Issuer and the Guarantors solely for use in connection with the Offering of the Notes described in this Offering Memorandum, and prospective investors are authorised to use this Offering Memorandum solely for the purpose of considering the purchase of the Notes. Prospective investors should rely only on the information contained in this Offering Memorandum. The Issuer and the Guarantors have not authorised anyone to provide prospective investors with different information. Prospective Investors should not assume that the information contained in this Offering Memorandum is accurate as at any date other than the date on the front of this Offering Memorandum. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without the Issuer's and the Guarantors' prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no copies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

In addition to the Guarantee provided by Imperial Brands, the Notes are guaranteed by ITL. The Guarantee of ITL may be terminated at the option of ITL at any time and, under certain circumstances, other members of the Group may be substituted as Guarantors for Imperial Brands and/or ITL, in each case without the consent of Noteholders, provided that in any such termination or substitution (i) each Rating Agency (as defined herein) shall have confirmed that the Notes will have the same or better solicited long-term public credit rating as immediately prior to such termination or substitution, as applicable, and (ii) the Trustee (as defined herein) shall have confirmed its acceptance of such termination or substitution in compliance with certain regulatory requirements to which it is subject. See "*Description of the Notes and the Guarantees—Status of the Notes and Guarantees*".

BofA Securities, Inc., HSBC Securities (USA) Inc., Mizuho Securities USA LLC, MUFG Securities Americas Inc., Standard Chartered Bank, Wells Fargo Securities, LLC, Commerz Markets LLC and Emirates NBD Bank PJSC (collectively, the **Initial Purchasers**) and their respective affiliates make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. The Issuer and the Guarantors have furnished the information contained in this Offering Memorandum. The Initial Purchasers have not independently verified all of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information.

In making an investment decision, prospective investors must rely on their own examination of the Issuer, the Guarantors and the terms of the Offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisers as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations. The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes in any jurisdiction in which it is unlawful to do so. None of the Issuer, the Guarantors, the Initial Purchasers or their respective affiliates or representatives is making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable legal investment or similar laws or regulations. Investors also acknowledge that they have not relied, and will not rely, on the Initial Purchasers in connection with their investigation of the accuracy of any information or their decision whether to invest in the Notes.

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of the Notes sought by a prospective investor. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

Notwithstanding anything in this Offering Memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the US tax treatment and US tax structure of any offering and all materials of any kind (including opinions and other tax analyses) that are provided to the prospective investor relating to such US tax treatment and US tax structure, other than any information for which non-disclosure is reasonably necessary in order to comply with applicable securities laws.

The Issuer and the Guarantors accept responsibility for the information contained in this Offering Memorandum. To the best of the Issuer's and the Guarantors' knowledge, the information contained in this Offering Memorandum is in accordance with the facts and the Offering Memorandum makes no omission likely to affect its import.

This Offering Memorandum contains summaries of certain documents. Investors should refer to the actual documents for complete information. Copies of certain documents referred to herein will be made available to prospective investors upon request to the Issuer or the Initial Purchasers.

In connection with the Offering, BofA Securities, Inc. (the **Stabilising Manager**) (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes during the stabilisation period at a level other than that which might otherwise prevail. However, no assurance can be given that the Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the Offering is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 calendar days after the Issue Date (as defined herein) and 60 calendar days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

This Offering is being made in reliance upon an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Notes, investors are deemed to have made the acknowledgements, representations, warranties and agreements set forth under "*Transfer Restrictions*".

The Notes and the Guarantees have not been, and will not be, registered with, or recommended or approved by, the US Securities and Exchange Commission (the **SEC**) or any other US federal or state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence in the United States.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or an available exemption therefrom. A prospective investor should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See also "*Plan of Distribution*" and "*Transfer Restrictions*".

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

Prohibition of sales to EEA retail investors: The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU, as amended (**MiFID II**); or (ii) a customer within the meaning of

Directive (EU) 2016/97, as amended (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the **PRIIPs Regulation**), for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

This Offering Memorandum has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, and if the Issuer has not notified the Initial Purchasers on the classification of the Notes under and pursuant to Section 309(B)(1) of the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**), this Offering Memorandum or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes and the Guarantees may not be circulated or distributed, nor may the Notes and the Guarantees be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Chapter 289 of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person, which is:

- a corporation (which is not an accredited investor (as defined in the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the Securities and Futures Act; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the Securities and Futures Act is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore Securities and Futures Act Product Classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the Securities and Futures Act), that the Notes

are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice Securities and Futures Act 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

Prohibition of sales to UK retail investors: The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the United Kingdom (or the **UK**). For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared, and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Memorandum has not been approved for the purposes of section 21 of the FSMA and does not constitute an offer to the public in accordance with the provisions of section 85 of the FSMA. It is for distribution only to, and is directed solely at, persons who are outside the United Kingdom or, if inside the United Kingdom, who (i) have professional experience in matters relating to investments and are investment professionals, as such term is defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Financial Promotion Order**), (ii) are persons falling within article 49(2)(a) to (d) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

UK MiFIR product governance - Professional investors and ECPs only target market: Solely for the purposes of each UK manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties (**ECPs**), as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **UK distributor**) should take into consideration the UK manufacturers' target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (or any supplement hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (**NI 33-105**), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

SERVICE OF PROCESS AND ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

Each of the Issuer and Imperial Brands is a public limited company registered in England and Wales and ITL is a private limited company registered in England and Wales. A majority of the directors of Imperial Brands and all of the directors of the Issuer and ITL, as well as certain of the members of the Group's executive leadership team, named in this Offering Memorandum are not residents of the United States and a substantial portion of the assets of the Group and its directors and officers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons with respect to matters arising under the Securities Act or to enforce against them judgments of courts of the United States predicated upon civil liability under the Securities Act.

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability could not be enforced by registration in the courts of England and Wales but the judgment would generally be treated as constituting a cause of action against the Group and could be sued upon summarily in the courts of England and Wales.

The courts of England and Wales should enter judgment against the Group in such proceedings, without re-examination of the merits of the original judgment, provided that:

(i) the original court was of competent jurisdiction and the original judgment is final and conclusive;

(ii) the original judgment is not for multiple damages or on a claim of contribution in respect of multiple damages (as defined by the UK Protection of Trading Interests Act 1980);

(iii) the original judgment is for a fixed sum of money and not for a tax, fine or penalty;

(iv) the original judgment was not obtained by fraud, or in proceedings contrary to natural justice or the principles of the European Convention on Human Rights and its enforcement is not contrary to English public policy;

(v) enforcement proceedings are instituted within six years after the date of the judgment; and

(vi) the original judgment is not inconsistent with a judgment in the courts of England and Wales in respect of the same point at issue.

Consequently, the Issuer and the Guarantors cannot assure prospective investors that judgments in civil and commercial matters obtained from US federal or state courts will be enforceable in England and Wales. In addition, there is doubt as to the enforceability in England and Wales of US judgments in respect of civil judgments predicated purely on US securities laws. No account has been taken of the future exercise of powers by the UK government pursuant to section 5(4) of the UK Protection of Trading Interests Act 1980.

The Notes and the Guarantees thereof are governed by the laws of the State of New York. Each of the Issuer and the Guarantors has expressly submitted to the non-exclusive jurisdiction of the State of New York and US federal courts sitting in New York City for the purpose of any suit, action or proceeding arising out of the Notes

and has appointed Cogency Global Inc. at 122 East 42nd Street, 18th Floor, New York, New York 10168, United States, as its agent to accept service of process in any such action.

AVAILABLE INFORMATION

None of the Issuer and the Guarantors is currently subject to the periodic reporting and other information requirements of the US Securities Exchange Act of 1934, as amended (the **Exchange Act**). If a prospective investor purchases the Notes from the Initial Purchasers, they will be furnished with a copy of this Offering Memorandum and, to the extent provided by the Issuer to the Initial Purchasers for such purposes, any related amendments or supplement to this Offering Memorandum. Where a prospective investor receives this Offering Memorandum, they acknowledge that:

- they have been afforded an opportunity to request from the Issuer, and to review and have received, all additional information (including documents incorporated by reference herein) considered by such investor to be necessary to verify the accuracy and completeness of the information herein;
- they have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with their investigation of the accuracy of such information or their investment decision; and
- except as provided pursuant to the first bullet point above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantors or the Initial Purchasers.

While any Notes remain outstanding, Imperial Brands will make available, upon request, to any Holder and any prospective purchaser of Notes, any information required pursuant to Rule 144A(d)(4) under the Securities Act in order to permit sales under Rule 144A, if, at the time of such request, the Issuer or Imperial Brands is neither a reporting company pursuant to the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder. As of the date of this Offering Memorandum, Imperial Brands is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes "forward-looking statements" within the meaning of US securities laws and the securities laws of certain other jurisdictions. Forward-looking statements appear in a number of places throughout this Offering Memorandum, including, without limitation, under "*Overview*", "*Risk Factors*", "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of the Group and its Business*".

All statements other than statements of historical facts included in this Offering Memorandum, including, without limitation, statements regarding the Group's future financial position, risks and uncertainties related to the Group's business, strategy, capital expenditure, projected costs and plans and objectives for future operations, may be deemed to be forward-looking statements. Words such as "believes", "expects", "anticipates", "projects", "forecasts", "intends", "plans", "should", "could", "may", "might", "will", "would", "seeks", "estimates", "probability", "possible", "risk", "target", "goal", "objective", "future" or similar expressions or variations of such expressions or the negatives thereof are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct.

Forward-looking statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity, as well as developments in the industry and markets in which the Group operates, may differ materially from those expressed in or suggested by the forward-looking statements included in this Offering Memorandum for many reasons, including due to the factors described under "*Risk Factors*". Even if the Group's results of operations, financial

condition and liquidity, and developments in the industry and markets in which the Group operates, are consistent with the forward-looking statements included in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause the Group's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements include, but are not limited to:

- risks relating to the impact of the COVID-19 pandemic on the Group's business;
- risks relating to geopolitical and economic conditions in the countries and regions in which the Group operates, including the US and Western Europe;
- risks relating to high competition in the markets in which the Group operates, changes in demand and pricing pressures;
- risks relating to increased product regulation and regulatory changes and increases in regulatory compliance costs;
- risks relating to the Group's ability to develop commercially sustainable NGP (as defined herein) categories;
- risks relating to the Group's ability to develop, execute and communicate an effective ESG (as defined herein) strategy in line with stakeholder expectations;
- risks relating to pricing, excise or other product taxes, duties and levies;
- risks relating to the Group's ability to achieve the expected benefits of its strategic transformation programme;
- risks relating to potential cyber security incidents and failure of or significant disruptions of the Group's information systems;
- risks relating to the Group's processing of personal data and compliance with relevant data protection legislation;
- risks relating to pending or threatened litigation and related costs;
- risks relating to the Group's ability to sufficiently manage its liquidity and financing requirements;
- risks relating to supply chain failures, price fluctuations, inflation, increased costs and disruptions of labour relations;
- risks relating to the Group's ability to attract or retain required capabilities and talent;
- risks relating to the Group's ability to align its product portfolio and interaction approach with consumer preferences;
- risks relating to changes in tax regulation applicable to the Group or changes in the interpretation thereof;
- risks relating to potential internal control failures;
- risks relating to potential failures in product stewardship, quality control or contamination;
- risks relating to interest and foreign exchange rates;
- risks relating to potential loss of key customers and distributors;
- risks relating to substantial payment obligations under the MSA and other State Settlement Agreements and US state certification requirements; and
- other factors discussed under "*Risk Factors*".

These risks are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect the Group's results of operations, financial condition and liquidity, as well as developments in the industry and markets in which the Group operates. New risks can emerge from time to time and it is not possible for management to predict all such risks, nor can management assess the impact of all such risks on the

Group's business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Given these risks and uncertainties, potential investors should not place undue reliance on any forward-looking statements. You are urged to read this entire Offering Memorandum, including the sections entitled "*Overview*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of the Group and its Business*", for a more complete discussion of the factors that could affect the Group's future performance and the industry and markets in which the Group operates.

All forward-looking statements included in this Offering Memorandum speak only as of the date on which they are made. The Issuer and the Guarantors undertake no obligation to publicly update or revise any forward-looking statements to reflect new information, future events or otherwise. Comparisons of results between current and prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

PRESENTATION OF FINANCIAL, MARKET AND OTHER INFORMATION

Documents Incorporated by Reference

The following financial information is incorporated by reference into this Offering Memorandum:

1. the audited consolidated annual financial statements of the Group as at and for the year ended 30 September 2021 prepared in accordance with the International Accounting Standards (**IAS**) in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards (**IFRS**) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU (the **2021 Financial Statements**), together with the independent auditors' report thereon and the notes thereto, from the following sections of the Group's 2021 annual report and accounts:
    - the section entitled "*Financials*" on pages 148 to 219; and
    - the subsection entitled "*Related Undertakings*" on pages 225 to 234;
2. the audited consolidated annual financial statements of the Group as at and for the year ended 30 September 2020 prepared in accordance with Article 4 of the IAS Regulation in conformity with the requirements of the Companies Act 2006 and IFRS as adopted by the EU (the **2020 Financial Statements**), together with the independent auditors' report thereon and the notes thereto, from the following sections of the Group's 2020 annual report and accounts:
    - the sections entitled "*Group Financial Statements*" and "*Notes to the Financial Statements*" on pages 125 to 190; and
    - the subsection entitled "*Related Undertakings*" on pages 196 to 211;
3. the audited consolidated annual financial statements of the Group as at and for the year ended 30 September 2019 prepared in accordance with Article 4 of the IAS Regulation in conformity with the requirements of the Companies Act 2006 and IFRS as adopted by the EU (the **2019 Financial Statements**, and together with the 2021 Financial Statements and the 2020 Financial Statements, the **Annual Financial Statements**), together with the independent auditors' report thereon and the notes thereto, from the following sections of the Group's 2019 annual report and accounts:
    - the sections entitled "*Group Financial Statements*" and "*Notes to the Financial Statements*" on pages 87 to 145; and
    - the subsection entitled "*Related Undertakings*" on pages 151 to 167;
4. the unaudited condensed consolidated interim financial statements of the Group as at and for the six months ended 31 March 2022 prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the UK and the Disclosure Guidance and Transparency Rules of the FCA (the **2022 Interim Financial Statements**, and together with the Annual Financial Statements, the **Consolidated Financial**

Statements), together with the notes thereto, from the following sections of the Group's 2022 interim results:

- the section entitled "*Condensed Consolidated Interim Financial Statements*" on pages 23 to 27; and
- the section entitled "*Notes to the Financial Statements*" on pages 28 to 51;

5. the audited annual financial statements of the Issuer as at and for the year ended 30 September 2021 prepared in accordance with applicable law and the UK Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (together, **UK Generally Accepted Accounting Practice** or **UK GAAP**), and in conformity with the requirements of the Companies Act 2006 (the **2021 IBF Financial Statements**), together with the independent auditors' report thereon and the notes thereto;
6. the audited annual financial statements of the Issuer as at and for the year ended 30 September 2020 prepared in accordance with UK GAAP and in conformity with the requirements of the Companies Act 2006 (the **2020 IBF Financial Statements**), together with the independent auditors' report thereon and the notes thereto;
7. the audited annual financial statements of the Issuer as at and for the year ended 30 September 2019 prepared in accordance with UK GAAP and in conformity with the requirements of the Companies Act 2006 (the **2019 IBF Financial Statements**), together with the independent auditors' report thereon and the notes thereto;
8. the unaudited condensed interim financial statements of the Issuer as at and for the six months ended 31 March 2022 prepared in accordance with UK GAAP and in conformity with the requirements of the Companies Act 2006 (the **2022 IBF Interim Financial Statements**), together with the notes thereto;
9. the audited annual financial statements of ITL as at and for the year ended 30 September 2021 prepared in accordance with UK GAAP and in conformity with the requirements of the Companies Act 2006 (the **2021 ITL Financial Statements**), together with the independent auditors' report thereon and the notes thereto;
10. the audited annual financial statements of ITL as at and for the year ended 30 September 2020 prepared in accordance with UK GAAP and in conformity with the requirements of the Companies Act 2006 (the **2020 ITL Financial Statements**), together with the independent auditors' report thereon and the notes thereto; and
11. the audited annual financial statements of ITL as at and for the year ended 30 September 2019 prepared in accordance with UK GAAP and in conformity with the requirements of the Companies Act 2006 (the **2019 ITL Financial Statements**), together with the independent auditors' report thereon and the notes thereto.

All documents incorporated by reference herein have been previously published, or are published simultaneously with this Offering Memorandum, and have been approved by, filed with or notified to the FCA. Such documents shall be incorporated in, and form part of, this Offering Memorandum, save that any statement contained therein shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained in this Offering Memorandum or any supplement hereto modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Memorandum.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum. Only the sections of the above documents that are incorporated by reference as stated above form part of this Offering Memorandum. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Memorandum.

Copies of the documents incorporated by reference in this Offering Memorandum may be obtained without charge from the registered office of the Issuer and are available on the website of the UK Companies House at *https://find-and-update.company-information.service.gov.uk/* and/or the Group's website at *https://www.imperialbrandsplc.com/creating-shareholder-value/debt-information/*.

No information on the Group's website (*https://www.imperialbrandsplc.com/*) should be deemed to be incorporated in, or form a part of, this Offering Memorandum.

Investors should read the whole of this Offering Memorandum, including the financial information and financial statements incorporated by reference herein, and not rely solely on the summary consolidated financial information provided in this Offering Memorandum.

Financial statements of the Group

The Group's financial year runs from 1 October to 30 September. The 2021 Financial Statements and the 2020 Financial Statements have been audited by the independent auditors of the Group, Ernst & Young LLP. The 2019 Financial Statements have been audited by the previous independent auditors of the Group, PricewaterhouseCoopers LLP.

The Annual Financial Statements have been prepared in accordance with IFRS as adopted by the EU. IFRS as adopted by the EU differs in certain aspects from IFRS as issued by the International Accounting Standards Board. The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. Further details are set out in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates*". It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial information, are disclosed in the notes to the Consolidated Financial Statements incorporated by reference in this Offering Memorandum.

With effect from 1 October 2019, the Group applied IFRS 16 "Leases" for the first time in its 2020 Financial Statements. In implementing IFRS 16 "Leases", the Group selected the modified retrospective approach as the transition method. Under this method, the comparative information for the year ended 30 September 2019 was not restated. As a result, the 2022 Interim Financial Statements, 2021 Financial Statements and 2020 Financial Statements are not directly comparable to the 2019 Financial Statements. The financial impact on adoption of IFRS 16 "Leases" to the Group's balance sheet at 1 October 2019 and to the Group's results for the year ended 30 September 2020 is summarized in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of IFRS 16 "Leases*"".

The Consolidated Financial Statements relating to the Group incorporated by reference in this Offering Memorandum are not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations that would apply if the Notes were to be registered in the US. Compliance with such requirements would require the modification or exclusion of certain information incorporated by reference in this Offering Memorandum and the presentation of certain information that is not included or incorporated by reference in this Offering Memorandum.

Financial statements of the Issuer and ITL

The Issuer's financial year runs from 1 October to 30 September. The 2021 IBF Financial Statements and the 2020 IBF Financial Statements have been audited by the independent auditors of the Issuer, Ernst & Young LLP. The 2019 IBF Financial Statements have been audited by the previous independent auditors of the Issuer, PricewaterhouseCoopers LLP.

ITL's financial year runs from 1 October to 30 September. The 2021 ITL Financial Statements and the 2020 ITL Financial Statements have been audited by the independent auditors of ITL, Ernst & Young LLP. The 2019 ITL Financial Statements have been audited by the previous independent auditors of ITL, PricewaterhouseCoopers LLP.

Presentation of the Group's Financial Information

In preparing the 2020 Financial Statements and 2021 Financial Statements, the Group reclassified or restated, as applicable, certain comparative information for the respective prior periods, which affects the comparability of its results across the periods discussed herein:

(i) in preparing the 2020 Financial Statements, the Group reclassified or restated, as applicable, certain comparative information as at and for the year ended 30 September 2019 to reflect the adoption of IFRS

16 "Leases", tobacco volume and sales movements between the Group's reportable segments, the reclassification of certain of the Group's current tax assets and liabilities, adjustments relating to the Group's investment in Auxly, the reclassification of certain of the Group's brands and the disposal of Premium Cigars. See also Notes 1 and 3 to the 2020 Financial Statements; and

(ii) in preparing the 2021 Financial Statements, the Group reclassified certain comparative information as at and for the year ended 30 September 2020 to reflect the disposal of Premium Cigars. See also Notes 1 and 11 to the 2021 Financial Statements.

Except as otherwise indicated herein, the Group's financial information presented in this Offering Memorandum: (i) as at and for the year ended 30 September 2019 has been derived from the 2020 Financial Statements, (ii) as at and for the years ended 30 September 2020 and 2021 has been derived from the 2021 Financial Statements, and (iii) as at and for the six months ended 31 March 2021 and 2022 has been derived from the 2022 Interim Financial Statements.

Presentation on an organic basis

Certain financial measures and non-financial operating metrics for the year ended 30 September 2021, the year ended 30 September 2020 and the six months ended 31 March 2021 included in this Offering Memorandum are presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above periods. Organic measures include: organic tobacco volume, organic net revenue and organic adjusted operating profit. The Group presents and discusses these organic measures to assist comparability of its performance between the relevant periods. The presentation of organic measures is not in conformity with IFRS. The organic measures may also not be comparable to similarly titled measures presented by other companies as those companies may define and compute such measures differently than the Group. See also below under *"— Non-IFRS Financial Measures*".

Information for the twelve months ended 31 March 2022

This Offering Memorandum also includes certain unaudited consolidated financial and non-financial operating information for the twelve months ended 31 March 2022. This information for the twelve months ended 31 March 2022 has been calculated by adding the Group's relevant information for the year ended 30 September 2021 to the Group's information for the six months ended 31 March 2022 and then subtracting the information for the six months ended 31 March 2021, all derived from the Consolidated Financial Statements or underlying accounting records of the Group. This information for the twelve months ended 31 March 2022 has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of Group's financial reporting, has not been audited or reviewed and is not necessarily representative of the Group's results of operations for any future period. The unaudited information for the twelve months ended 31 March 2022 included herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles.

Rounding

Certain monetary amounts and other figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, any discrepancies between the totals and the sums of the amounts listed, or percentage changes thereof, are due to rounding.

Non-IFRS Financial Measures

When managing the performance of the business, the Group's management uses certain key performance indicators, which include IFRS financial information, non-IFRS financial measures (alternative performance measures) and other non-financial operating metrics. Certain of these measures are termed non-IFRS financial measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS (**Non-IFRS Financial Measures**). The Group's Non-IFRS Financial Measures include:

- **Tobacco & NGP net revenue** represents Tobacco & NGP revenue less duty and similar items, excluding peripheral products.
- **Distribution net revenue** represents Distribution revenue less the cost of distributed products.
- **Adjusted operating profit** represents operating profit adjusted to exclude amortisation and impairment of acquired intangibles, fair value adjustments of acquisition consideration and restructuring costs and certain other one-off costs.
- **Adjusted net debt** represents reported net debt adjusted to exclude interest accruals, lease commitments and the fair value of derivative financial instruments providing commercial hedges of interest rate risk. Net debt comprises current and non-current borrowings and derivatives minus cash.
- **Adjusted net debt to adjusted EBITDA** represents adjusted closing net debt divided by adjusted EBITDA presented on a twelve-month basis. Adjusted closing net debt is measured at balance sheet foreign exchange rates, with a full reconciliation shown in Note 31 to the 2021 Financial Statements and the 2020 Financial Statements and Note 12 to the 2022 Interim Financial Statements.
- **Adjusted EBITDA** represents adjusted operating profit plus amortisation, depreciation and impairments.
- **Cash conversion rate** represents cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.
- **Net capital expenditure** relating to property, plant and equipment, software and intellectual property rights represents the purchase of non-current assets net of proceeds from the sale of non-current assets.
- **Adjusted earnings per share** represents adjusted operating profit after tax attributable to the equity holders of Imperial Brands divided by the weighted average number of shares in issue during the period, excluding shares held to satisfy employee share plans and shares purchased by Imperial Brands and held as treasury shares.
- **Free cash flow** represents adjusted operating profit adjusted for certain cash and non-cash items. The principal adjustments are depreciation, working capital movements, net capital expenditure, restructuring cash flows, tax cash flows, cash interest and minority interest dividends.
- **Net cash flow** represents free cash flow adjusted for proceeds from disposals, costs relating to acquisitions, payment of shareholder dividends and purchases of shares by employee share ownership trusts.
- **Organic measures** represents measures that exclude the disposed operations of Premium Cigars for a more accurate reflection of performance. Organic measures include: organic tobacco volume, organic net revenue and organic adjusted operating profit. See also above under "*—Presentation of the Group's Financial Information*".

The Non-IFRS Financial Measures are presented on a consolidated and segment basis. See "*Selected Consolidated Financial Information—Key Performance Indicators and Other Operating Metrics*" for a reconciliation of these Non-IFRS Financial Measures to the nearest IFRS line item.

The Group's management believes that these Non-IFRS Financial Measures provide prospective investors with additional, supplemental information by which to analyse and compare the Group's performance between periods. These Non-IFRS Financial Measures are supplementary to, and should not be regarded as a substitute for, IFRS measures, which are referred to as reported measures. The Non-IFRS Financial Measures presented in this Offering Memorandum have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the Non-IFRS Financial Measures presented by the Group may not be comparable to similarly titled measures presented by other companies. As such, companies may define and calculate such measures differently than the Group. Accordingly, undue reliance should not be placed on the Non-IFRS Financial Measures contained in this Offering Memorandum. Prospective investors should not consider these Non-IFRS Financial Measures in isolation, as an alternative to consolidated

profit before tax, as an indication of operating performance, as an alternative to cash flows from operations or as a measure of the Group's profitability or liquidity. All Non-IFRS Financial Measures are unaudited.

Non-Financial Operating Metrics

To assist prospective investors in comparing the Group's historical performance from period to period, or at a particular time, the following non-financial operating metrics have been presented in this Offering Memorandum (the **Non-Financial Operating Metrics**):

- **Tobacco volume** represents volumes on a stick equivalent basis to reflect combined cigarette, fine cut tobacco, cigar and snus volumes.
- **Aggregate priority market share** represents the aggregate weighted market volume share based on the Group's five priority markets: the US, Germany, the UK, Spain and Australia. Market volume share is calculated based on a 12-month moving annual total volume share position from September to August. The market volume size used in the weighting calculation is based on a constant prior year end actual market size.

The Non-Financial Operating Metrics included in this Offering Memorandum and described above are derived from management estimates, are not part of the Group's financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. The Group's use or computation of these measures may not be comparable to the use or computation of similarly titled measures reported by other companies in the tobacco industry. The Non-Financial Operating Metrics should not be considered in isolation or as an alternative measure of performance under IFRS.

Market, Economic and Industry Data

Industry data and individual market data referred to in this Offering Memorandum with respect to the Group and its competitors are based on independent industry publications, reports of government agencies and other industry sources, as well as internally generated estimates based on management's knowledge and experience of the markets in which the Group operates. Such estimates may be based on data from importers, customs data, trade journals, publications and governmental statistics, as well as independently compiled market research statistics derived from point of sale surveys and trade questionnaires. Unless the context otherwise requires, market size and market share data referred to in this Offering Memorandum with respect to the Group and its competitors refer to estimates of unit sales in each market in the relevant financial year.

The Group has also used internal data to make estimates, for example, when third-party data does not cover all retail outlets in a market, provides data for periods other than the Group's financial year or collects information on non-cigarette tobacco products in volume or other measures rather than stick equivalents, the Group's internal reporting unit of sales volume. This information may prove to be inaccurate because of the method by which the Group obtained some of the data for these estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other inherent limitations and uncertainties.

Where third-party information has been used in this Offering Memorandum, the source of such information has been identified. The Issuer and the Guarantors confirm that such information has been accurately reproduced and, as far as the Issuer and the Guarantors are aware and are able to ascertain from such information, no facts have been omitted that would render the reproduced information materially inaccurate or misleading. The Issuer and the Guarantors have not independently verified any of the data from third-party sources nor ascertained the underlying assumptions relied upon therein. However, the Issuer and the Guarantors believe these estimates to be materially accurate as of the date of this Offering Memorandum.

CERTAIN DEFINITIONS

Unless indicated otherwise in this Offering Memorandum or the context requires otherwise:

- **2015 US Acquisition** means the Group's 2015 acquisition of certain brands from Reynolds American, Inc., including brands formerly owned by Lorillard Tobacco Company;
- **AAA** means the Group's Africa, Asia and Australasia business segment;
- **affiliates**, unless the context otherwise requires, has the meaning ascribed to it under Rule 405 of the Securities Act;
- **Altadis** means Altadis S.A.U.;
- **Altadis Group** means Altadis and its subsidiary undertakings;
- **BAT** means British American Tobacco plc;
- ***blu*** means the Group's vapour brand, which has several product variants using this brand name;
- **Board** or **Board of Directors** means the board of directors of Imperial Brands;
- **Brexit** means the UK's withdrawal from the European Union on 31 January 2020;
- **Clearstream, Luxembourg** means Clearstream Banking, S.A.;
- **Commonwealth Brands** means CBHC, Inc., the holding company of Commonwealth Brands, Inc., a cigarette manufacturing and distribution business;
- **COVID-19** means the strain of infectious disease caused by the virus SARS-CoV-2, the pandemic resulting therefrom that is continuing as of the date of this Offering Memorandum and public health events related thereto;
- **Director** or **Directors** means a director or directors of Imperial Brands;
- **Distribution** means the Group's business of distribution of tobacco and NGP products for tobacco and NGP product manufacturers, including the Group's Tobacco & NGP business, as well as non-tobacco and NGP products and services, as further described in "*Description of the Group and its Business—The Group's Business Segments*";
- **DTC** means The Depository Trust Company;
- **ECP** means eurocommercial paper;
- **ESG** means Environmental, Social and Governance;
- **EU** means the European Union;
- **EURIBOR** means the Euro Interbank Offered Rate;
- **euro**, **EUR**, **Euro** and **€** refer to the lawful currency of the Member States of the European Union participating in the European Monetary Union;
- **Euroclear** means Euroclear Bank SA/NV;
- **Eurozone** means the Member States of the European Union participating in the European Monetary Union;
- **EUTPD** means the EU Tobacco Products Directive (2014/40/EU), as amended;
- **Exchange Act** means the US Securities Exchange Act of 1934, as amended;
- **Facilities Agreement** means the credit facilities agreement dated 30 March 2020 between, among others, the Issuer and Imperial Tobacco Germany Finance GmbH as borrowers, Imperial Brands and ITL as guarantors and a syndicate of twenty banks as original lenders;
- **FDA** means the US Food and Drug Administration;

- **fine cut tobacco** or **roll-your-own/make-your-own** means loose tobacco, which is used with rolling papers or filter tubes;
- **Fitch** means Fitch Ratings Ltd and its successors;
- **Fontem US** means Fontem US, LLC;
- **Fontem Ventures** means Fontem Ventures B.V., the Group's non-tobacco company, collectively with its subsidiaries;
- **GDPR** means the EU General Data Protection Regulation ((EU) 2016/679), as amended;
- **Guarantors** means Imperial Brands and ITL;
- **HMRC** means Her Majesty's Revenue and Customs of the UK;
- **IBFF** means Imperial Brands Finance France S.A.S.;
- **Imperial Brands** means Imperial Brands PLC;
- **Imperial Brands Group** or **Group** means Imperial Brands PLC and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires;
- **Initial Purchasers** means BofA Securities, Inc., HSBC Securities (USA) Inc., Mizuho Securities USA LLC, MUFG Securities Americas Inc., Standard Chartered Bank, Wells Fargo Securities, LLC, Commerz Markets LLC and Emirates NBD Bank PJSC;
- **Initial State Settlements** means the four settlement agreements entered into in 1997 and 1998 between Mississippi, Florida, Texas and Minnesota and the OPMs, resolving claims brought by those states, as amended, supplemented or replaced;
- **IP** means intellectual property;
- **Issue Date** means 27 July 2022;
- **Issuer** or **IBF** means Imperial Brands Finance PLC;
- **ITG Brands** means ITG Brands, LLC, the entity formerly known as Lignum-2, LLC, a private tobacco company that sells fine cut tobacco and cigarettes in the US, which the Group acquired on 12 May 2008;
- **ITL** means Imperial Tobacco Limited;
- **ITPF** means Imperial Tobacco Pension Fund, constituted by the definitive trust deed and rules dated 1 March 1995 (as amended from time to time);
- **KT&G** means Korea Tobacco & Ginseng Corporation;
- **LIBOR** means the London Interbank Offered Rate;
- **Logista** means Compañía de Distribución Integral Logista Holdings, S.A.;
- **London Stock Exchange** means London Stock Exchange plc;
- **Lorillard** means Lorillard Tobacco Company;
- **Member State** means a state that is a member of the European Union;
- **Moody's** means Moody's Investors Service Ltd. and its successors;
- **MSA** means the Master Settlement Agreement, dated as of 23 November 1998, among 46 US states, the District of Columbia and five US territories listed on the signature pages thereto, Philip Morris USA, Inc. (as successor to Philip Morris Incorporated), R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company and various SPMs as listed on the National Associate of Attorneys General list of "Participating Manufacturers", as amended, supplemented or replaced;
- **Nerudia** means Nerudia Limited;
- **NGP** means next generation products (individually vapour, snus and heated tobacco);

- **Nobleza** means British American Tobacco Argentina S.A.I.C.y F., formerly known as Nobleza Piccardo S.A.;
- **Nordics** means Norway, Denmark, Sweden, Finland and Estonia;
- **Noteholder** or **Holder** means the registered holder of any Note;
- **Offering** means the offering of the Notes by the Issuer;
- **OLAF** means the European Anti-Fraud Office of the European Commission;
- **Original Participating Manufacturers** or **OPMs** means Philip Morris USA, Inc. (as successor to Philip Morris Incorporated), R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company;
- **Philip Morris USA** means Philip Morris USA, Inc.;
- **pound sterling**, **GBP**, **Sterling**, **sterling** and **£** refer to the lawful currency of the UK;
- **Premium Cigars** means the Group's international premium cigar business, the disposal of which completed on 29 October 2020;
- **Professional Securities Market** means the Professional Securities Market of the London Stock Exchange;
- **Rating Agency** or **Rating Agencies** means (1) each of Moody's and S&P; and (2) if Moody's or S&P ceases to rate the Issuer's senior unsecured long-term debt or fails to make a rating of the Issuer's senior unsecured long-term debt publicly available for reasons outside of the Issuer's or the Guarantors' control, a "nationally recognized statistical rating organization" within the meaning of the Exchange Act selected by the Issuer (as certified by a resolution of the Issuer's board of directors) as a replacement agency for Moody's or S&P, or all of them, as the case may be;
- **Reemtsma** means the cigarette manufacturing and distribution business of Reemtsma Cigarettenfabriken GmbH;
- **Regulation S** means Regulation S under the Securities Act;
- **Reynolds** means Reynolds American, Inc.;
- **RJR Tobacco** means R.J. Reynolds Tobacco Company, a North Carolina corporation and wholly-owned subsidiary of Reynolds;
- **Rule 144A** means Rule 144A under the Securities Act;
- **S&P** means S&P Global Ratings UK Limited and its successors;
- **Securities Act** means the US Securities Act of 1933, as amended;
- **SEITA** means Société Nationale d' Exploitation Industrielle des Tabacs et Allumettes S.A.S.;
- **SOFR** means the Secured Overnight Financing Rate;
- **SONIA** means the Sterling Overnight Index Average;
- **Stabilising Manager** means BofA Securities, Inc. in its capacity as stabilising manager;
- **State Settlement Agreements** means the Initial State Settlements together with the MSA;
- **€STR** means the Euro Short-Term Rate;
- **Subsequent Participating Manufacturers** or **SPMs** means companies other than the OPMs that were permitted to join the MSA even though most of them were not parties to the original state actions;
- **Tobacco & NGP** means the Group's business of manufacture, marketing and sale of tobacco and NGP and tobacco and NGP-related products, including sales to (but not by) the Group's Distribution business, comprising the Group's Europe, Americas and AAA segments, each as further described in "*Description of the Group and its Business—The Group's Business Segments*";

- **UK GDPR** means the EU General Data Protection Regulation ((EU) 2016/679), as amended and as it forms part of UK domestic law by virtue of the EUWA;
- **United Kingdom** or **UK** means the United Kingdom of Great Britain and Northern Ireland;
- **United States**, **USA** or **US** means the United States of America;
- **US dollar**, **USD** and **US$** refer to the lawful currency of the US;
- **US person** means a US person as defined in Regulation S;
- **WHO** means the World Health Organization;
- **WHO FCTC** means the WHO Framework Convention on Tobacco Control, which entered into force on 27 February 2005; and
- **WTO** means the World Trade Organization.

OVERVIEW

The following overview highlights selected information about the Group and the Offering contained elsewhere in this Offering Memorandum. The following overview is not complete and does not contain all of the information that prospective investors should consider before deciding to invest in the Notes. The following overview should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum. Before making an investment decision, prospective investors should read this entire Offering Memorandum carefully, including the Consolidated Financial Statements and the notes thereto incorporated by reference herein and the information set forth under the headings "Forward-Looking Statements", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of the Group and its Business".

Description of the Group and its Business

Imperial Brands, a FTSE 100 company headquartered in Bristol, UK, is the parent company of an international business specialising in tobacco and NGP brands. The Group is committed to finding a long-term solution for harm reduction, operating responsibly and minimizing its impact on the planet, while recognizing the Group's role to provide genuine choices to its consumers in how their experiences are delivered.

The Group's core business is built around a tobacco portfolio of approximately 160 brands that offers a comprehensive range of cigarettes, fine cut tobacco, papers and mass-market cigars as well as NGP and snus products. Through its subsidiaries, the Group sells its tobacco brands in approximately 120 markets across the globe. As at 30 September 2021, the Group employed 30,300 employees and had a network of 31 manufacturing sites worldwide.

The Group comprises two distinct businesses: Tobacco & NGP and Distribution. For Tobacco & NGP, the Group reports its results in three separate geographic segments: Europe, Americas and Africa, Asia and Australasia. Accordingly, the Group's reportable segments are: (a) Europe, (b) Americas, (c) Africa, Asia and Australasia and (d) Distribution:

- **Tobacco & NGP**:
  - **Europe**: The Group manufactures and sells a comprehensive range of tobacco and NGP in Europe, including cigarettes, fine cut tobacco, snus, vapour, oral nicotine and heated tobacco products and papers. The Group's primary European markets consist of Germany, the UK, Spain, France, Italy, Greece, Sweden, Norway, Belgium, the Netherlands, Ukraine and Poland. The Group's net revenue from sales of tobacco and NGP in its Europe segment was £3,551 million in the year ended 30 September 2021 and £1,569 million in the six months ended 31 March 2022, representing 46.7 per cent and 44.9 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period.
  - **Americas**: The Group's Americas business offers a broad portfolio of cigarette, vapour and mass-market cigar brands. The Group's primary American market is the US. The Group formed its current US business through the combination of its US-based operations with cigarette brands and assets acquired through the 2015 US Acquisition. The Group's net revenue from sales of tobacco and NGP in its Americas segment was £2,534 million in the year ended 30 September 2021 and £1,160 million in the six months ended 31 March 2022, representing 33.3 per cent and 33.2 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period.
  - **Africa, Asia and Australasia**: The Group's Africa, Asia and Australasia (**AAA**) business offers a broad portfolio of cigarettes, fine cut and smokeless tobaccos. The Group's primary AAA markets consist of Australia, Saudi Arabia, Taiwan, Algeria and Morocco. The Group's net revenue from sales of tobacco and NGP in its AAA segment was £1,504 million (on an organic basis) in the year ended 30 September 2021 and £766 million in the six months ended 31 March 2022, representing 19.8 per cent (on an organic basis) and 21.9 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period.

- **Distribution**: The Group's Distribution business (comprising Logista) distributes tobacco and NGP products as well as non-tobacco and non-NGP products and services to a range of manufacturers, including the Group's Tobacco & NGP business. The Group's Distribution business is run on an operationally neutral basis and transactions between the Group's Tobacco & NGP business and its Distribution business are conducted on an arm's length basis. The Group's revenue from its Distribution business was £9,589 million in the year ended 30 September 2021 and £4,639 million in the six months ended 31 March 2022, representing 29.2 per cent and 30.2 per cent of the Group's total revenue for each respective period.

The Group's performance has been resilient despite the impact of the COVID-19 pandemic. The Group's operating profit for the six months ended 31 March 2022 was £1,201 million, compared to £1,637 million for the six months ended 31 March 2021, and £3,146 million, £2,731 million and £2,197 million for the years ended 30 September 2021, 2020 and 2019, respectively.

Strategy

On 27 January 2021, IB announced its new five-year strategy to transform the Group and create long-term value. The Group's new strategy has three priorities. The first is to create sustained value in the combustible market by focusing on the Group's priority markets where the Group can leverage its strengths. The second is to build a distinctive presence in NGP, which, over time, is expected to deliver a material contribution both to harm reduction, through the offering of potentially reduced harm products to consumers, and investor returns. The third is to drive value from the Group's broader global portfolio. Alongside its revised strategic priorities, the Group has set out a clear capital allocation framework to support investment in the new strategy, strengthen its balance sheet and deliver enhanced shareholder returns. The disciplined approach the Group takes to managing cost and cash provides the funds to continue investing in growth. The Group's updated sustainability strategy frames the way in which the Group manages its sustainability and ESG issues and supports the long-term development of its business.

Strategic priorities

The Group's strategy is founded on three pillars:

- **Focusing on priority combustible markets**: The Group is focusing its investment and resources around its five most profitable markets: the US, Germany, the UK, Australia and Spain, which together represented approximately 70 per cent of the Group's adjusted operating profit for the year ended 30 September 2021 and the six months ended 31 March 2022, respectively. The Group has developed detailed brand and market plans to support this approach and is increasing investment behind a focused set of operational levers to strengthen performance and unlock value. For example, in the US, the Group is extending the regional presence and product offerings of its leading mass-market cigar brand *Backwoods* and is building on a tried-and-tested programme of consumer engagement activities. At the same time, the Group has increased investment in sales force and key account management across its priority markets. For example, the Group has increased the number of its sales employees in the US, while optimising sales force coverage across the right outlets. Similarly, in Germany, the Group has invested in improving sales force effectiveness and presence in under-represented channels and geographies. In Spain, the Group's *Nobel* cigarette brand is benefitting from ongoing brand-building initiatives, including investments in pack and product quality, to leverage its full potential as one of the Group's local "jewel brands".

- **Building a targeted NGP business**: The Group has reset its NGP strategy with a significantly different approach, informed by consumer insights and validation. It is focusing its NGP investment in markets where the NGP category has already been established, and, in particular, on heated tobacco opportunities in Europe and opportunities in vapour in the US, the UK and France. Its oral nicotine business remains focused on the Group's existing markets in Europe. Investment in NGP is disciplined and based on detailed market testing. The aim is to develop a sustainable NGP business that makes a meaningful contribution to harm reduction through the offering of potentially reduced harm products to consumers. In heated tobacco, two recent market trials in the Czech Republic and Greece with the Group's *Pulze* and *iD* propositions have received a positive response from trade partners and consumers, supporting further

launches into new markets. These are attractive markets because heated tobacco is already a well-established NGP category and the Group can leverage its existing route to market for combustible tobacco products. In the US, the Group has also started trials for a revised marketing proposition for its vapour product, *blu*, including more innovative consumer communication and customer support. Finally, as the category of modern oral nicotine delivery products is expected to grow rapidly, the Group, through its *ZoneX* oral nicotine brand, is investing in establishing promising share positions in Europe that it can continue to build over time.

- **Driving value from the Group's broader market portfolio**: The Group's review of its broader market portfolio has identified additional opportunities to drive future growth while realising efficiencies in how it operates in these markets. Although they are smaller, such markets benefit from attractive margins and relatively limited investment requirements. The Group is selectively building those where it has attractive leadership positions, such as in Africa and other European markets, and is selectively exiting a small number of others where it has a relatively weaker presence. For example in Africa, the Group has identified opportunities to drive growth through multiple levers in the region, including better application of its global brands in more premium price tiers, leveraging its local "jewel brands" and closing its sales coverage gaps. Similarly, in its five largest Eastern European markets, Poland, Ukraine, Romania, the Czech Republic and Hungary, the Group's strategic analysis suggests there is an attractive value growth opportunity over the next five years. At the same time, in the Nordics, the Group is continuing to build on its strong track record in traditional oral nicotine products.

Improving ways of working

To support the delivery of its strategic priorities, the Group is changing how it operates to embrace new ways of working and to enhance its culture. It has identified three critical enablers to drive these changes:

- **Consumer at the centre of the business**: The Group is investing to support a consistent approach to consumer insight, including improved capabilities in brand and trade marketing, portfolio management, innovation and sales excellence. This transformation is focused on leveraging the Group's portfolio to address key consumer needs and is overseen by the Group's new Chief Consumer Officer.
- **Performance-based culture and capabilities**: The Group is seeking to embed a performance-based culture to enhance accountability, improve its agility and support teamwork and collaboration throughout the business. The Group is also seeking to align rewards and incentives to reinforce performance and delivery of its objectives, and it is continuing to invest in talent while embracing diversity and inclusivity.
- **Simplified and efficient operations**: The Group aims to ensure resources and capabilities are focused on its most profitable combustible markets. Its NGP operations have been brought together within a unified, entrepreneurial business unit to leverage capabilities and resources more effectively. The Group is aligning its global enabling functions, such as Finance and Human Resources, to support delivery of its new strategy and ensure efficient allocation of resources.

Capital allocation framework

The Group's strategy is supported by a clear capital allocation framework, which is intended to optimise returns for all stakeholders. The business benefits from high margins and strong cash generation, which are expected to underpin the following capital priorities:

- **Investment behind the new strategy** to deliver the targeted organic growth initiatives in combustibles and NGP. The Group is also investing in strengthening capabilities, new ways of working and a streamlined organisation to improve effectiveness and realise efficiencies. Investment decisions are rigorously evaluated and monitored within a more disciplined, returns-focused framework.
- **A strong and efficient balance sheet** to support the Group's investment grade credit rating. Debt reduction will remain a priority to deliver the Group's target leverage towards the lower end of the Group's net debt to EBITDA range of 2-2.5 times. Management believes that a stronger balance sheet will provide the business with greater flexibility for the future, improving resilience to manage uncertainties and further underscoring the defensive characteristics of the Group's business.

- **A progressive dividend policy** to provide a reliable, consistent cash return to shareholders. The dividend is set to grow annually from the current level taking into account underlying business performance. In line with the Group's progressive dividend policy, on 15 November 2021, the Board decided to increase by 1 per cent the final dividend per share (in £ pence) that was paid for the year ended 30 September 2021. On 16 May 2022, the Board approved an increase of the interim dividend per share (in £ pence) of a further 1 per cent for the six months ended 31 March 2022.
- **Surplus capital returns to shareholders** to be considered once target leverage has been achieved. The Group's strong cash characteristics support additional capital returns through share buybacks and/or special dividends. The Group has adopted a disciplined approach regarding additional capital returns to shareholders. The Group remains focused on optimising such surplus capital returns through share buybacks and/or special dividends, subject to achieving its target leverage and market conditions, such as valuation, at that time.

Sustainability and ESG responsibility

Throughout its strategic review, the Group considered its sustainability and ESG responsibilities and concluded that both are aligned to, and underpin, the Group's new business strategy. The Group's sustainability strategy remains focused on tobacco, NGP and behaving responsibly. The three pillars of the strategy are designed to enable growth and create value and also define the approach the Group takes to managing its ESG priorities. For further details on the Group's sustainability and ESG priorities and performance, see below under *"Description of the Group and its Business—Sustainability and ESG*".

Recent Developments

On 20 April 2022, in response to the Russian invasion of Ukraine and amid a highly challenging environment in Russia as a result of international sanctions and consequential severe disruption, the Group announced that it had agreed the transfer of its Russian operations, including a sales and marketing business and its Volgograd factory, as a going concern to a local third party. On 27 April 2022, following registration with the Russian tax authority, the Group completed the transfer for a total consideration of approximately £20 million. The total value of all direct and indirect exit charges and impairments related to the transfer of the Group's Russian business as at 31 March 2022 was £225 million, comprising £201 million of exit charges and £24 million of impairment costs. The transfer of the Group's Russian assets was treated as a non-adjusting post-balance sheet event for the purpose of the 2022 Interim Financial Statements, with the transaction being accounted for in the second half of the year ending 30 September 2022. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Acquisitions, investments and disposals*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Post-Balance Sheet Events and Off-Balance Sheet Arrangements*".

On 20 July 2022, the Issuer announced a cash tender offer for any and all of its US$1,000,000,000 3.500% notes due 11 February 2023. The expiry date of the cash tender offer is 26 July 2022. Completion of the cash tender offer is subject to satisfaction of a number of conditions precedent, including, among others, that the Issuer (subject to waiver) shall have completed prior to the expiry date of the cash tender offer an offering of one or more series of debt securities, on terms and subject to conditions satisfactory to the Issuer in its sole discretion.

THE OFFERING

The following summary describes the principal terms of the Notes and the Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes and the Guarantees" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes and the Guarantees. Terms used in this summary and not otherwise defined herein have the meanings ascribed to them in "Description of the Notes and the Guarantees".

Issuer	Imperial Brands Finance PLC, a public limited company incorporated under the laws of England and Wales on 14 June 1996. Its registered office and the business address of each of its directors is 121 Winterstoke Road, Bristol BS3 2LL, United Kingdom, and its telephone number is +44 (0) 117 963 6636. The Issuer's legal entity identifier is 2138008L3B3MCG1DFS50. Under certain circumstances, other members of the Group may be substituted as the Issuer and principal debtor under the Notes without the consent of the Noteholders at any time, provided that (i) each Rating Agency shall have confirmed that the Notes will have the same or better solicited long-term public credit rating as immediately prior to such substitution, and (ii) the Trustee shall have confirmed its acceptance of such substitution in compliance with certain regulatory requirements to which it is subject. See "*Description of the Notes and the Guarantees— Covenants of the Issuer—Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors; Additional Guarantors*".
Guarantors.....	Imperial Brands and ITL. The Guarantee of ITL may be terminated at the option of ITL at any time and, under certain circumstances, other members of the Group may be substituted as Guarantors for Imperial Brands and/or ITL, in each case without the consent of Noteholders and subject to certain conditions as summarised under "*The Guarantees*" below. See also "*Description of the Notes and the Guarantees—Status of the Notes and Guarantees*".
The Notes.....	US$1,000,000,000 aggregate principal amount of 6.125 per cent Senior Notes due 2027 (the **Notes**). The Notes will be issued pursuant to an indenture to be dated as of 27 July 2022 (the **Indenture**) between the Issuer, the Guarantors, The Bank of New York Mellon, London Branch (in its capacity as trustee, the **Trustee**, and in its capacity as paying agent, the **Paying Agent**) and The Bank of New York Mellon (in its capacity as transfer agent, the **Transfer Agent**, and in its capacity as registrar, the **Registrar** and, together with the Paying Agent and the Transfer Agent, the **Agent**).
The Guarantees	The Guarantees will be unsecured and unsubordinated obligations of each Guarantor and will rank *pari passu* in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the relevant Guarantor (save for certain obligations required to be preferred by law).

	The Guarantee of ITL may be terminated at the option of ITL at any time and, under certain circumstances, other members of the Group may be substituted as Guarantors for Imperial Brands and/or ITL, in each case without the consent of Noteholders, provided that in any such termination or substitution, (i) each Rating Agency shall have confirmed that the Notes will have the same or better solicited long-term public credit rating as immediately prior to such termination or substitution, as applicable, and (ii) the Trustee shall have confirmed its acceptance of such termination or substitution in compliance with certain regulatory requirements to which it is subject. See "*Description of the Notes and the Guarantees—Status of the Notes and Guarantees*".
Issue Price	98.956 per cent of the principal amount of the Notes.
The Offering.....	The Notes and the Guarantees are being offered and sold by the Initial Purchasers (i) within the United States, only to QIBs in reliance on Rule 144A, and (ii) outside the United States, to persons other than US persons in reliance on Regulation S.
Issue Date	27 July 2022.
Maturity Date	The Notes will mature on 27 July 2027 (the **Maturity Date**). The Notes are redeemable prior to maturity as described under "*Description of the Notes and the Guarantees—Optional Redemption*", "*Description of the Notes and the Guarantees—Repurchase Upon a Change of Control Offer*" and "*Description of the Notes and the Guarantees—Redemption for Tax Reasons*".
Interest Rate.....	The Notes will bear interest from the Issue Date at the rate of 6.125 per cent per annum, payable semi-annually in arrears.
Interest Payment Dates.....	Interest on the Notes will be paid semi-annually in arrears on 27 January and 27 July of each year, beginning on 27 January 2023 (each, an **Interest Payment Date**).
Interest Periods.....	The first interest period for the Notes will be the period from, and including, the Issue Date to, but excluding, the first Interest Payment Date. Thereafter, the interest periods for the Notes will be the periods from, and including, each Interest Payment Date to, but excluding, the immediately succeeding Interest Payment Date. The final interest period will be the period from, and including, the Interest Payment Date immediately preceding the Maturity Date to, and including, the Maturity Date.
Regular Record Dates	The close of business on the 15th calendar day immediately preceding each Interest Payment Date (whether or not a Business Day).
Business Day	Any day that is not, in London, England, or New York City, United States, or any other Place of Payment, a Saturday, Sunday, legal holiday or a day on which banking institutions are authorised or obligated by law or regulation to close (a **Business Day**).
Optional Redemption	The Issuer may redeem the Notes, in whole or in part, at its option, at any time and from time to time, prior to 27 June 2027 (one month prior

	to the Maturity Date) (the **Par Call Date**), at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) (a) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed discounted to the redemption date (assuming the Notes matured on the Par Call Date) on a semi-annual basis at the Treasury Rate plus 50 basis points, less (b) interest accrued to the date of redemption, plus, in either (i) or (ii) above, accrued and unpaid interest on the Notes to be redeemed to the redemption date and any Additional Amounts payable with respect thereto. The Issuer may redeem the Notes, in whole or in part, at its option, at any time and from time to time, on or after the Par Call Date, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest on the principal amount of the Notes to be redeemed to, but excluding, the redemption date and any Additional Amounts payable with respect thereto. See "*Description of the Notes and the Guarantees—Optional Redemption*".
Repurchase Upon a Change of Control Offer	If a Change of Control Triggering Event occurs, unless the Issuer has redeemed the Notes in full, it will be required to make an offer (a **Change of Control Offer**) to each Holder of the Notes to repurchase all or any part (equal to US$200,000 or an integral multiple of US$1,000 in excess thereof) of that Holder's Notes on the terms set forth in the Notes. In the Change of Control Offer, the Issuer will be required to offer payment in cash equal to 101 per cent of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of repurchase. See "*Description of the Notes and the Guarantees—Repurchase Upon a Change of Control Offer*".
Interest Rate Adjustment Based on Rating Events.....	The interest rate payable on the Notes will be subject to adjustment from time to time in the event of a Step Up Rating Change or a Step Down Rating Change, as the case may be. From and including the first Interest Payment Date following the date of a Step Up Rating Change, if any, the interest rate payable on the Notes shall be increased by 1.25 per cent per annum. A Step Up Rating Change may only occur once during the term of the Notes. In the event of a Step Down Rating Change following a Step Up Rating Change, from and including the first Interest Payment Date following the date of such Step Down Rating Change, the interest rate payable on the Notes shall be decreased by 1.25 per cent per annum. See "*Description of the Notes and the Guarantees—Interest Rate Adjustment Based on Rating Events*".
Redemption for Tax Reasons	In the event of certain tax law changes that would require the Issuer or a Guarantor to pay Additional Amounts on the Notes, the Issuer may, under certain conditions, redeem in whole, but not in part, the Notes prior to maturity at a redemption price equal to 100 per cent of the principal amount of the Notes to be redeemed plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See

	"*Description of the Notes and the Guarantees—Redemption for Tax Reasons*".
Payment of Additional Amounts.	If the Issuer or any Guarantor is required by a Relevant Taxing Jurisdiction to deduct or withhold taxes in respect of any payment on the Notes, the Issuer or such Guarantor will, subject to certain exceptions, pay Additional Amounts to Noteholders so that the net amount received by the Noteholders will not be less than the amount the Noteholders would have received if such taxes had not been deducted or withheld. See "*Description of the Notes and the Guarantees—Payment of Additional Amounts*".
Covenants.....	The Issuer and the Guarantors have agreed to certain covenants with respect to the Notes, including a negative pledge and limitation on mergers, consolidations, amalgamations and combinations. See "*Description of the Notes and the Guarantees—Covenants of the Issuer*".
Ranking of the Notes and Guarantees.....	*The Notes* The Notes will be unsecured and unsubordinated obligations of the Issuer (except for the provisions of "*Description of the Notes and the Guarantees—Covenants of the Issuer—Negative Pledge*") and will rank *pari passu* in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the Issuer (save for certain obligations required to be preferred by law). *The Guarantees* The Guarantees will be unsecured and unsubordinated obligations of each Guarantor (except for the provisions of "*Description of the Notes and the Guarantees—Covenants of the Issuer—Negative Pledge*") and will rank *pari passu* in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the relevant Guarantor (save for certain obligations required to be preferred by law). Because the Guarantors are holding companies, their rights and the rights of their respective creditors, including the Noteholders, to participate in the assets of any subsidiary upon the liquidation or recapitalisation of any Guarantor will be subject to the prior claims of such subsidiary's creditors, except to the extent that such Guarantor itself may be a creditor with recognised claims against such subsidiary.
Denominations, Form and Registration of Notes.....	The Notes will be issued in fully registered form and only in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will be initially issued as global notes. DTC will act as depositary for the Notes. Except as set forth herein, global notes will not be exchangeable for definitive notes. The global notes will be deposited with The Bank of New York Mellon as custodian (the **Custodian**) for DTC and registered in the name of Cede & Co., as nominee of DTC.

	The Notes sold in the United States to QIBs in reliance on Rule 144A will be represented by the Rule 144A Global Note. The Notes sold outside the United States to persons other than US persons in reliance on Regulation S will be represented by the Regulation S Global Note.
Governing Law of the Notes, the Guarantees and the Indenture	The State of New York.
Listing.....	Application has been made for the Notes to be listed on the Official List and for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange.
Defeasance.....	The Notes will be subject to the defeasance and covenant defeasance provisions in the Indenture.
Further Issuances	The Issuer may, subject to certain conditions, from time to time, without notice to or the consent of the Noteholders, "reopen" the Notes and create and issue additional notes having identical terms and conditions as the Notes (or in all respects except for the issue date, issue price, payment of interest accruing prior to the issue date of such additional notes and/or the first payment of interest following the issue date of such additional notes), so that the additional notes are consolidated and form a single series of notes with the Notes. See "*Description of the Notes and the Guarantees—Further Issuances*".
Use of Proceeds.....	The estimated net proceeds from the issuance of the Notes, after deducting underwriting discounts and other estimated expenses payable in connection with the Offering, are expected to be approximately US$985.7 million. The Group intends to add the net proceeds from the issuance of the Notes to its general funds, which may be used to refinance certain existing debt of the Group (including with respect to the Issuer's cash tender offer for any and all of its US$1,000,000,000 3.500% notes due 11 February 2023). See also "*Use of Proceeds*" and "*Capitalisation*".
Trustee and Paying Agent	The Bank of New York Mellon, London Branch.
Transfer Agent and Registrar	The Bank of New York Mellon.
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable securities laws of any state of the United States or other jurisdiction. The Notes are subject to certain restrictions on resale and transfer. See also "*Transfer Restrictions*".
Timing and Delivery.....	The Issuer expects delivery of the Notes to occur on or about 27 July 2022 (T+5). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise.

	Accordingly, purchasers who wish to trade the securities prior to two business days before the delivery of the securities will be required, by virtue of the fact that the securities initially will settle in T+5, to specify any alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the securities who wish to make such trades should consult their own advisers.
Ratings.....	Imperial Brands has a long-term solicited credit rating of Baa3 (stable outlook) by Moody's, BBB (stable outlook) by S&P and BBB (stable outlook) by Fitch. It is expected that the Notes will be rated Baa3 by Moody's and BBB by S&P. A security rating is not a recommendation to buy, sell or hold the Notes. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant Rating Agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes is likely to be adversely affected.
CUSIPs and ISINs	The CUSIP of the Notes to be sold pursuant to Regulation S is G471ABWD8 and the ISIN number is USG471ABWD89. The CUSIP of the Notes to be sold pursuant to Rule 144A is 45262BAF0 and the ISIN number is US45262BAF04.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information of the Group should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the notes thereto, incorporated by reference in this Offering Memorandum. You should read the following information in conjunction with the sections entitled "Presentation of Financial, Market and Other Information", "Risk Factors", "Capitalisation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The financial information presented below has been derived from the Consolidated Financial Statements. Except as otherwise indicated herein, the financial information presented below: (i) as at and for the year ended 30 September 2019 has been derived from the 2020 Financial Statements, (ii) as at and for the years ended 30 September 2020 and 2021 has been derived from the 2021 Financial Statements, and (iii) as at and for the six months ended 31 March 2021 and 2022 has been derived from the 2022 Interim Financial Statements.

Summary Consolidated Income Statement Information

	For the year ended 30 September			For the six months ended 31 March	
	2019[1]	**2020[2]**	**2021**	**2021[3]**	**2022**
			(*in £ million*)		
Revenue	31,594	32,562	32,791	15,568	15,362
Gross profit	6,240	6,180	6,027	2,860	2,736
Operating profit	2,197	2,731	3,146	1,637	1,201
Profit before tax	1,690	2,166	3,238	2,059	1,256
Profit for the period	**1,081**	**1,558**	**2,907**	**1,844**	**1,035**
Attributable to:					
Owners of the parent	1,010	1,495	2,834	1,806	995
Non-controlling interests	71	63	73	38	40

Notes:

(1) Represents the Group's consolidated income statement information for the year ended 30 September 2019 as reported in the 2020 Financial Statements.

(2) Represents the Group's consolidated income statement information for the year ended 30 September 2020 as reported in the 2021 Financial Statements.

(3) Represents the Group's consolidated income statement information for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

Summary Consolidated Balance Sheet Information

	As at 30 September			As at 31 March	
	2019[1]	**2020[2]**	**2021**	**2021[3]**	**2022**
			(*in £ million*)		
Total assets	33,074	32,310	29,090	29,132	28,111
Total liabilities	(27,490)	(26,792)	(23,150)	(24,104)	(22,218)
Net assets	**5,584**	**5,518**	**5,940**	**5,028**	**5,893**

Notes:

(1) Represents the Group's consolidated balance sheet information as at 30 September 2019 as reported in the 2020 Financial Statements.

(2) Represents the Group's consolidated balance sheet information as at 30 September 2020 as reported in the 2021 Financial Statements.

(3) Represents the Group's consolidated balance sheet information as at 31 March 2021 as reported in the 2022 Interim Financial Statements.

Summary Consolidated Cash Flow Statement Information

	For the year ended 30 September			For the six months ended 31 March	
	2019[1]	2020[2]	2021	2021[3]	2022
			(*in £ million*)		
Operating profit	**2,197**	**2,731**	**3,146**	**1,637**	**1,201**
Net cash generated from/(used in) operating activities	3,236	4,030	2,167	(159)	700
Net cash generated from/(used in) investing activities	(425)	(331)	710	565	(18)
Net cash used in financing activities	(1,271)	(4,310)	(3,207)	(1,291)	(1,327)
Net increase/(decrease) in cash and cash equivalents	**1,540**	**(611)**	**(330)**	**(885)**	**(645)**
Cash and cash equivalents at start of the period	**775**	**2,286**	**1,626**	**1,626**	**1,287**
Effect of foreign exchange rates on cash and cash equivalents	(15)	13	(9)	24	(12)
Transferred to held for disposal	(14)	(62)	-	-	(42)
Cash and cash equivalents at end of the period	**2,286**	**1,626**	**1,287**	**765**	**588**

Notes:

(1) Represents the Group's consolidated cash flow statement information for the year ended 30 September 2019 as reported in the 2019 Financial Statements and the 2020 Financial Statements.

(2) Represents the Group's consolidated cash flow statement information for the year ended 30 September 2020 as reported in the 2020 Financial Statements and the 2021 Financial Statements.

(3) Represents the Group's consolidated cash flow statement information for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

RISK FACTORS

The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under the Notes and the Guarantees, as applicable. Most of these factors are contingencies, which may or may not occur.

The factors below contain a description of all material risks that may affect the Issuer's and the Guarantors' ability to fulfil their obligations under the Notes and the Guarantees, as applicable. There may be additional risks that the Group currently considers immaterial or of low likelihood or which it is currently unaware, and any of these risks could have effects in addition to the factors set forth below.

The Issuer and the Guarantors believe that the factors described below represent the material risks inherent in investing in the Notes and the Guarantees, but their inability to pay interest, principal or other amounts on or in connection with the Notes and the Guarantees may occur for other reasons and the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding the Notes and the Guarantees are exhaustive. Investors should carefully read the risk factors described below and the rest of the information included in this Offering Memorandum prior to deciding to invest in the Notes. The trading price of the Notes could decline due to any of these risks, either alone or in combination, and investors may lose all or part of their investment. This Offering Memorandum also contains certain forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" above. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group, described below and elsewhere in this Offering Memorandum.

In addition, factors that are material for the purpose of assessing the market risks associated with investing in the Notes and the Guarantees are also described below. Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum (including any documents incorporated by reference herein) and reach their own views, seeking their own professional advice as and where they deem it necessary, prior to making any investment decision.

Risks Relating to the Group

Actual or perceived effects of the global COVID-19 pandemic could negatively impact the Group's business

The COVID-19 pandemic (caused by the SARS-CoV-2 virus) has resulted in significant volatility in financial and commodities markets and global growth remains volatile and sensitive to further waves of infection and/or new variants of the SARS-CoV-2 virus and other factors.

At present, it is difficult to ascertain how long the COVID-19 pandemic may last, or how severe or frequent any future waves of infection may become, and consequently the full impact that COVID-19 may have on the global economy and/or the revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and the Guarantors. If further waves of infection and/or new variants of the SARS-CoV-2 virus occur and the measures intended to reduce transmission of the virus are reinstated for a prolonged period (and in particular if new virus variants arise that spread more easily or against which available vaccines and treatments are less effective or that cause higher rates of hospitalisation or death), global macroeconomic conditions would worsen and the global economy may experience a further significant slowdown or volatility in its growth rate or a further contraction in global GDP.

The impact of the COVID-19 pandemic on the Group will be influenced by a number of factors, including, but not limited to:

- the reimposition of travel and other restrictions and the length of time that such restrictions would be in place;
- the severity of any further or future required measures;
- the location of those measures (priority markets impacted or key supply chain locations);
- macroeconomic factors; and

- the actions of governments to finance public spending including the timing and/or treatment of current or future excise liabilities, and increases in excise and other product related taxes.

Potential impacts on the Group include, but are not limited to:

- *Reductions in demand or significant volatility in demand for one or more of the Group's products*. The impacts of these and other factors could result in economic pressures on consumers. A reduction in affordability caused by a prolonged recession or government austerity measures could increase consumer downtrading (switching to a cheaper brand or category) and/or reduce personal consumption in individual markets.

- *Potential disruptions in manufacturing and supply arrangements*. The Group's supply chain may be adversely affected by economic pressures and other disruptions, including quarantines, governmental or regulatory actions, closures or other restrictions that limit or close operating and manufacturing facilities, restrict employees' ability to travel or perform necessary business functions, or otherwise prevent third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale and support of the Group's products. Moreover, financial market volatility and reduced access or increased cost of financing may increase such risks and lead to financial challenges or failures of the Group's counterparties. Additionally, continuity of supply could be impacted by any further COVID-19 related lockdowns, which may slow or hinder manufacture and shipment of products. Such disruptions may potentially result in increased costs due to an increase in complexity in its supply chain or the need to make changes to ensure long-term continuity of supply. Factory footprint decisions may be impacted by COVID-19 outcomes and related complexities, and potential trade policy initiatives by governments to protect local industry.

- *Inflationary pressure on cost of production*. The costs of commodities has increased globally and across all industries over the course of the COVID-19 pandemic, and these costs continue to be subject to inflationary pressure. This could have a direct impact on the cost of production, and, where such costs cannot be passed on to consumers, could impact margin and profitability. See also below under "*—The Group is exposed to the geopolitical and economic conditions of the countries and regions in which it operates, with a particular concentration in Western Europe and the US*".

- *Regulatory change intended to protect public health*. The tobacco industry has been, and will continue to be, impacted by changes in regulation. The nature of the COVID-19 pandemic and the impact it had, and continues to have, on public health, and the services that support it, could result in the proposal of further regulatory change intended to protect public health. The tobacco industry, including the size of the legitimate tobacco market, NGP market and, in each case, the Group's market share, may be adversely impacted by related regulatory change in the future.

- *Financial market volatility*: The COVID-19 pandemic has resulted in increased volatility in financial markets (including interest rate and foreign exchange fluctuations) and impacted the cost/availability of continued financing within the global markets. The potential exists for recession within individual countries, the failure of businesses and austerity measures, all of which might impact the financial markets and the cost and availability of financing. See also below under "*—The Group is exposed to the geopolitical and economic conditions of the countries and regions in which it operates, with a particular concentration in Western Europe and the US*".

To date, the impact of the COVID-19 pandemic on the Group's business has not been material, although the longer-term economic impact remains uncertain and could be material. Should the current situation deteriorate, or restrictions persist over longer periods (even intermittently), notably where these outcomes affect the Group's priority markets, the impact on the Group could be material and result in the increased likelihood of risks to the Group materialising. This could have an adverse effect on the revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

The Group is exposed to the geopolitical and economic conditions of the countries and regions in which it operates, with a particular concentration in Western Europe and the US

The Group is exposed to geopolitical and economic conditions that could impact its largest markets, including the US, Germany, the UK, Australia and Spain, which together represented approximately 70 per cent of the Group's adjusted operating profit for the year ended 30 September 2021 and the six months ended 31 March 2022, respectively. The growth of the Group's business is underpinned by its positions in these and other key countries and regions. Any adverse geopolitical or economic developments in, or affecting, the Group's key countries and regions, including, but not limited to, the outbreak of war or conflict, inflation, rising interest rates, recessionary conditions, default on sovereign debt, a significant decline in the credit rating of one or more sovereigns or financial institutions, or disruptions in the political and economic conditions of the EU and/or Eurozone (including the actual or threatened breakup of or exit from the EU by another Member State), could cause severe stress in the financial system generally and on the euro, sterling, or US dollar, and could disrupt the banking system generally and adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of the Group's counterparties, customers, suppliers or creditors, directly or indirectly, in ways that are difficult to predict.

In recent years, protectionist trade policies have been increasing around the world and it is unclear what additional tariffs, duties, border taxes or other similar assessments on imports might be implemented in the future and what effects these changes may have on the Group's sales in its priority markets. Such protectionist trade legislation in the US, the EU or other priority markets, including changes in the current tariff structures, export or import compliance laws, or other trade policies and changes in trade policies as a result of Brexit, could reduce the Group's ability to sell its products in such markets and increase the relative cost of the Group's products to local consumers, which could have a negative impact on demand. Any increase in protectionist policies could adversely affect the Group's revenue, costs, profits, business, financial condition, results or prospects, which, in turn, could impact the Issuer's and the Guarantors' and revenue, costs, profits, business, financial condition, results or prospects.

The Group's results and prospects for the Group's operations in developing markets are dependent, in part, on the political stability, economic activity, regulatory requirements, policies and judicial systems of those countries. Some of the countries in which the Group operates face the risk of civil unrest, regime changes, nationalisation, terrorism, conflict and threat of war, as well as an increased risk of fraud and corruption, both externally and internally. Economic, political, legal, regulatory or other developments or uncertainties in developing markets could disrupt the Group's supply chain, compliance with applicable regulations, its distribution capabilities or its cash flows. These developments could also lead to loss of property or equipment that are critical to the Group's business in certain markets, which could adversely affect the Group's revenue, costs, profits, business, financial condition, results or prospects, which, in turn, could impact the Issuer's and the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

Furthermore, geopolitical conflicts may have a negative impact on both local and global economic conditions and continuity of supply. For example, on 24 February 2022, Russia launched a large-scale invasion of Ukraine. This conflict has impacted and is expected to continue to impact energy prices and energy supply in Europe, which is largely dependent on Russian natural gas and crude oil, with further impacts on the cost of raw materials and commodity prices. In addition, NATO and other countries have implemented unprecedented economic and other sanctions against Russia in response to the invasion of Ukraine. Examples of such sanctions include a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs, a commitment by certain countries and the European Union to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the electronic banking network that connects banks globally, and restrictions on energy imports from Russia in the EU. Many Western companies have also announced the cessation of their Russian businesses and/or their unwillingness to retain interests in Russian assets or to continue dealing with Russian or related counterparties, even where such action is not required by current sanction regimes. The scope and scale of such economic sanctions and voluntary actions by companies remain subject to rapid and unpredictable change and may have considerable negative impacts on global macroeconomic conditions and on European economies and counterparties. Moreover, existing concerns about market volatility, rising commodity prices, disruptions to supply chains, high rates of inflation and the risk of regional or global

recessions or "stagflation" (i.e., recession or reduced rates of economic growth coupled with high rates of inflation) have been exacerbated by Russia's invasion of Ukraine.

Any of the above factors may have an adverse effect on the global economy, the Group's, the Issuer's and/or either of the Guarantors' customers and the Group's revenue, costs, profits, business, financial condition, results or prospects.

As a result of the war in Ukraine, the Group's operations in the country, including at its production factory in Kyiv, were temporarily suspended on 24 February 2022. In April 2022, the Group resumed certain of its operations in Ukraine, although production could be subject to further future suspensions. Non-local market production has been transferred to alternative sites outside Ukraine. The Group's Kyiv facilities previously formed a key part of the Group's supply chain, and, thus, suspending production at the Kyiv factory and moving production has had and may continue to have a direct financial and logistical impact on the Group. Furthermore, the Group's operations, manufacturing and marketing activities in Russia were also suspended and subsequently transferred as a going concern to a local third party on 27 April 2022. The total value of all direct and indirect exit charges and impairments related to the transfer of the Group's Russian business as at 31 March 2022 was £225 million, comprising £201 million of exit charges and £24 million of impairment costs. In the year ended 30 September 2021, Russia and Ukraine represented approximately 2 per cent of the Group's net revenue and 0.5 per cent of adjusted operating profit. At present, it is difficult to ascertain how long the conflict between Russia and Ukraine may last, or how severe its impacts may become. If the conflict is prolonged, escalates or expands (including if additional countries become involved), or if additional economic sanctions or other measures are imposed, or if volatility in commodity prices or disruptions to supply chains are sustained or worsen, regional and global macroeconomic conditions and financial markets could be impacted more severely, which, in turn, could have a more severe effect on the global economy, the Group's customers and the Group's, the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

Any future declines in developing markets or in any of the Group's priority markets, including due to adverse changes in economic conditions in these countries, could have an adverse effect on the Group's revenue, costs, profits, business, financial condition, results or prospects. This, in turn, could have an adverse effect on the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

The Group operates in highly competitive consumer markets and is subject to changes in demand and pricing pressure

The Group operates in highly competitive markets, which require an agile approach to customer interaction and a product portfolio aligned with rapidly changing consumer needs and rival to competitor offerings, particularly in trading environments where the price burden on consumers for the Group's products is high because of excise duties and taxation or weak economic conditions and/or declining consumer purchasing power. The majority of the Group's revenue and operating profit is generated through sales of its products in certain priority markets, including the US, Germany, the UK, Australia and Spain. Any changes in market dynamics in these and the other markets in which the Group operates, such as a reduction in the size of the legitimate tobacco market (including as a result of the COVID-19 pandemic or geopolitical issues), significant change in competitor activity, or the failure by the Group to react appropriately to changes in market dynamics could lead to a reduction in demand for the Group's products and additional pricing pressure on the Group's brands, including the Group's ability to achieve planned price increases, which could have an unfavourable impact on the Group's business and growth strategy.

Substantial increases in excise duties or a substantial increase in costs attributable to a change in the manner of excise duty collection may result in increased levels of illegal cross-border trade, in the form of counterfeit products, locally manufactured products on which applicable local sales taxes are evaded and smuggled genuine products. The impact on the size of the legitimate market is significant and, in some countries, is a growing threat to the legitimate tobacco industry and could also impact NGP.

A number of factors could result in a significant decline in the demand for legally purchased tobacco products, including any factor that increases the costs of tobacco products for consumers, which could encourage more

consumers to switch to cheaper, illegal tobacco products and provide greater rewards for counterfeiters, smugglers and organised crime.

The Group's primary competitors include Philip Morris International, Inc., BAT, Japan Tobacco, Inc., Altria Group, Inc., Liggett Vector Brands LLC and JUUL Labs, Inc. These companies may have greater financial resources than the Group or stronger brand recognition and consumer loyalty in certain of the Group's markets. A significant increase in the competitive activity of these companies or other local manufacturers could lead to a reduction in demand for or pricing pressure on the Group's brands, which could reduce the Group's profit margins and cash flows. The Group's ability to compete with these companies may be limited by the regulatory environment in which it operates, including, among other factors, advertising restrictions, and this may adversely impact the Group's efforts to strengthen recognition of its brands in the relevant local market. The competitive activity of the Group's competitors may also have an unfavourable impact on the Group's ability to achieve organic growth in its priority markets. Accordingly, the failure to compete effectively in the Group's priority markets may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Failure to manage the impacts of increased product regulation and regulatory change has had, and may continue to have, an adverse effect on the demand for the Group's products and/or increase compliance costs

The manufacture, advertising, sale and consumption of tobacco products have been subject to extensive and increasing regulation from governments, influenced by health officials and anti-smoking groups, principally due to the conclusion that cigarette smoking and tobacco products are harmful to health. Regulatory initiatives affecting the tobacco industry that have been proposed, introduced or enacted include a range of restrictions on advertising, packaging and distribution channels, restrictions on labelling, product specification requirements (notably flavourings) and increased restrictions on smoking, including, but not limited to, age restrictions and restrictions on the locations where products can be consumed. See also "*Description of the Group and its Business—Regulatory Landscape*". These restrictions have been introduced by regulation and have been supplemented by voluntary agreements. Examples of such regulation include the EU Tobacco Products Directive (2014/40/EU), as amended (the **EUTPD**), including delegated legislation enacted in accordance with the EUTPD framework, and the WHO Framework Convention on Tobacco Control (the **FCTC**). The Group often has limited opportunity to offer an opinion on the likely consequences of regulatory change and, along with all other tobacco manufacturers, is sometimes excluded from consultation with regulators on these regulatory proposals. In addition, anti-smoking groups continue to advocate the exclusion of the industry from consultation processes and seek to diminish the social acceptability of smoking. Anti-smoking groups are pursuing this agenda through petitioning individual governments and the WHO.

The Group, along with other manufacturers, is impacted by legislation designed to manage environmental and climate risks. The industry has been impacted by the EU Directive on Single-Use Plastics (2019/904/EU) (the **EUSUPD**), which took effect in the EU from July 2021, resulting in manufacturers incurring costs in the form of additional taxes and levies, with the potential for further adoption across non-EU markets. Future regulatory change could create additional restrictions in product design and increased compliance costs as a result of this and similar environmentally focused legislation. In the US, the tobacco environment is regulated at both the federal level (by the FDA and Federal Trade Commission (the **FTC**)) and state level and there is therefore a risk that either federal or state regulation or both may become materially more intrusive or adverse. Any future increases in the regulation of the tobacco industry in the US or elsewhere could therefore result in a substantial decline in the demand for tobacco products. For example, the next review of the EUTPD is currently underway and revisions are expected to significantly strengthen tobacco control measures in the EU. Current or future restrictions or bans relating to, among other things, product flavouring or to product labelling or maximum nicotine levels, may require manufacturers to review and adapt their product portfolio.

NGP are regulated either under dedicated legislation or existing frameworks. The degree and severity of such regulations vary. They may also be subject to further extensive regulation in many of the markets in which the Group operates, in particular, the US, the EU and the UK. It is not possible to predict the scope of all future regulation of NGP proposed or implemented by regulatory authorities or the impact of any such regulations, but current proposals include restrictions on flavourings and product specification, use and purchase. For example, in

March 2019, the FDA announced potential changes to vapour regulations, including an increase in the nationwide minimum age for purchase of vapour products. The nationwide minimum age for purchase of all tobacco products, including e-cigarettes and vaping products that deliver nicotine was subsequently increased to 21 in December 2019. In January 2020, the FDA imposed restrictions on the sale of mint and fruit flavoured cartridge-based e-cigarettes. In addition, there can be no certainty as to the existing or further proposals by US states or municipalities. For further discussion of the regulation of NGP, see "*Description of the Group and its Business—Regulatory Landscape—The Group as a whole—Regulation of other flavoured tobacco products and NGP*", "*Description of the Group and its Business—Regulatory Landscape—European Union—Regulation of NGP such as vapour and heated tobacco products*", "*Description of the Group and its Business—Regulatory Landscape—Americas—Regulation of NGP such as vapour and heated tobacco products*" and "*Description of the Group and its Business—Regulatory Landscape—Africa, Asia and Australasia—Regulation of NGP such as vapour and heated tobacco products*".

Any of the factors listed above may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors and could contribute to an increase in the illicit trade in the Group's products.

Failure to develop commercially sustainable NGP categories has had, and may continue to have, an adverse effect on the Group's business

The Group continues to invest in its NGP strategy, including the development of a portfolio of commercially sustainable, science-based, reduced-risk nicotine, non-nicotine and smokeless delivery options. However, the NGP category continues to evolve, both in terms of product availability from the Group (both directly and through licensing agreements) and its competitors but also in terms of regulatory treatment applicable to such products. See also "*Description of the Group and its Business—Regulatory Landscape—The Group as a whole—Regulation of other flavoured tobacco products and NGP*", "*Description of the Group and its Business—Regulatory Landscape—European Union—Regulation of NGP such as vapour and heated tobacco products*", "*Description of the Group and its Business—Regulatory Landscape—Americas—Regulation of NGP such as vapour and heated tobacco products*" and "*Description of the Group and its Business—Regulatory Landscape—Africa, Asia and Australasia—Regulation of NGP such as vapour and heated tobacco products*". Competition in the vapour and heated tobacco categories is intense and product offerings in this market vary as the market is highly fragmented, with large companies, such as Philip Morris International, Inc., BAT, Reynolds and JUUL Labs, Inc., developing new and innovative products that compete with those offered by smaller companies. In addition, the Group may look to form strategic partnerships for the development and supply of NGP or seek to acquire NGP companies to add to its NGP portfolio, however, there can be no assurance that such partnerships or acquisitions will prove successful or lead to a successful product launch or a commercially sustainable NGP portfolio. Should the Group fail to identify innovation opportunities or respond to developments in the NGP market in a timely manner or fail to execute its strategy as effectively as its competitors, the Group may fail to achieve its strategic objectives in NGP. Such failure could, in turn, also adversely impact the Group's ability to deliver its ESG agenda.

Future sales and any future profits from the Group's NGP business are substantially dependent upon the acceptance and use of NGP by adult smokers and vapers in lieu of, or in addition to, their current product choices. The Group's ability to generate future sales will be dependent on a number of factors, many of which are beyond its control, including the pricing of competing products, overall demand for NGP offerings, changes in consumer preferences, market competition and government regulation. For example, the Group submitted a pre-market tobacco application to the FDA for certain of its *myblu* offerings. The Group's application was denied for seven *myblu* electronic nicotine delivery system (**ENDS**) products, including one device and six liquid cartridges, and is being appealed. While the Group's *myblu* products continue to be sold during the appeal process, the lack of pre-market approval has a negative impact on retailer willingness to stock the *myblu* product, thus affecting sales and profits earned from this product. This may also adversely impact the Group's reputation. Although the Group attempts to influence and respond to NGP market developments, it may still be exposed to factors that limit the success of NGP generally, including, but not limited to, increases in duty and regulatory treatment of competing products.

In particular, NGP offerings have been subject to increasing regulation in the US, which could potentially limit the ability of the Group to successfully execute its NGP strategy. Such regulations include increasing the minimum age for purchasing tobacco products, instituting bans on flavour cartridge systems (with certain exceptions) and requiring vapour products to have certain formal certifications for continued sale. See also "*Description of the Group and its Business—Regulatory Landscape*". Furthermore, there has been a gradual increase in the implementation of NGP-specific excise structures across markets. Significant or unexpected increases in NGP taxes or adjustments to excise structures may have an adverse effect on the Group's, the Issuer's and/or either of the Guarantors' business, results of operations and financial conditions. See also "*—Pricing, excise or other product tax outcomes may fall outside Group assumptions and expectations and may have an adverse effect on the Group's results*".

These restrictions on the sale of NGP, as well as any additional or similar restrictions adopted by US states or other jurisdictions globally, could have a negative impact on the Group's ability to market and sell its NGP offerings, which would have a negative impact on growth in demand for NGP. Furthermore, in the development of new products, notably NGP, the Group may wish to use technology already subject to patent, registered design or other intellectual property rights held by others. However, the Group may fail to obtain rights to access such intellectual property. The failure to obtain such rights could significantly limit the Group's ability to develop and market its NGP brands, which would significant limit its NGP strategy or potentially result in litigation. A failure by the Group to realise its NGP strategy may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

The Group's inability to develop, execute and communicate an effective ESG strategy in line with stakeholder expectations may have an adverse effect on the Group's, the Issuer's and/or either of the Guarantors' reputation, revenue, costs, profits, business, financial condition, results or prospects

As focus on ESG-related matters from investors, customers, consumers and other stakeholders increases, expectations of the Group's ESG performance continue to evolve at a significant pace. The Group also faces heightened ESG-related reporting requirements, in particular for its carbon footprint and environmental and climate-related risks, the parameters of which are consistently developing. The Group may fail to implement and maintain appropriate internal standards, controls, strategic plans, governance, or monitoring and reporting mechanisms required to meet relevant regulatory requirements and market expectations and align with international standards in this area.

Failure to align the development, execution and communication of the Group's ESG strategy with market and stakeholder expectations could impact the Group's, the Issuer's and/or either of the Guarantors' reputation and adversely affect investor and stakeholder confidence.

In addition, failure to comply with key ESG-related regulation, including environmental and human rights legislation, could lead to, among other consequences, financial penalties and reputational damage. The Group is impacted by both physical and transitional climate risks. Physical risks such as extreme weather episodes could impact the Group's supply chain, notably the Group's cigar manufacturing and supply locations due to increased geographical risk. Failure to manage these risks could result in supply impacts affecting the Group's ability to meet consumer demand in certain categories. Transitional risks impact the Group through both increased reporting requirements and the achievement of strategic climate-related objectives. Additionally the Group will be required to continue to meet the expectations of customers in the achievement of their own greenhouse gas related Scope 1 and 2 targets and requirements. Failure to manage these risks and manage the expectations of wider stakeholder groups could impact the Group's reputation with key stakeholders, including but not limited to, customers, suppliers, investors and financial institutions.

The Group recognises that the risks associated with the purchase of raw tobacco may also impact its business. Some tobacco purchased by the Group is cultivated in countries with high levels of poverty and less advanced agricultural practices. There is a heightened risk of human rights violations and child labour in such countries, particularly where farmers rely on temporary or casual workers or family labour. Portions of the Group's supply chain may be vulnerable to disruption and leaf prices may increase as a result of efforts to minimise these risks. Allegations of non-compliance with ESG-related regulation could have an adverse impact on the Group's, the Issuer's and/or either of the Guarantors' reputation. See also "*—Litigation resulting in adverse judgements and*

related costs may cause the Group to incur substantial damages" and "*Description of the Group and its Business—Litigation*". Further, employee engagement may also be adversely affected if the Group fails to uphold appropriate ESG management standards or if such a failure is perceived to have occurred.

Any of the factors listed above may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Pricing, excise or other product tax outcomes may fall outside Group assumptions and expectations and may have an adverse effect on the Group's results

Conventional tobacco products are subject to high levels of taxation, including excise taxes, sales taxes, import duties and levies in most markets in which the Group operates. In many of these markets, taxes are generally increasing but the rate of increase varies between markets and between different types of tobacco products. Increases in tobacco excise taxes may be caused by a number of factors, including fiscal pressures, health policy objectives and increased lobbying pressure from anti-tobacco advocates. In many of the markets in which the Group operates, excise duty represents a substantial percentage of the retail price of tobacco products and this percentage has been steadily increasing in recent years. NGP have so far only been subject to limited product-related taxes, although the risk exists that their treatment under excise and other sales-related taxes could change.

Significant or unexpected increases in tobacco and NGP taxes, the introduction of laws establishing minimum retail selling prices, changes in relative tax rates for different tobacco products or adjustments to excise structures have and may continue to result in customers downtrading to lower price products/categories, reduced consumption, cessation of smoking, an increase in illicit trade, a decline in overall sales volume for the Group's products or an alteration in the sales mix in favour of lower-priced products and may have an adverse effect on the Group's, the Issuer's and/or either of the Guarantors' business, results of operations and financial conditions. Increases in tobacco-related taxes, the introduction of new tobacco/NGP-related taxes or changes to excise structures can limit the Group's ability to increase the prices on tobacco products or NGP or necessitate absorption of tax increases.

Periodic price increases are among the key drivers in increasing market profitability. However, the Group may not be able to obtain such price increases or fully realise the benefits of any price increase as a result of increased regulation, which may reduce its ability to build brand equity and enhance its value proposition to its adult tobacco consumers, stretched consumer affordability arising from deteriorating economic conditions, rising prices, sharp increases or changes in excise structures and competitor pricing activities. As a result, the Group may be unable to achieve its strategic growth metrics, may have fewer funds to invest in growth opportunities, and may face quicker reductions in sales volumes than anticipated due to accelerated market decline. In addition, downtrading and illicit trade may increase in response to price increases for legitimate products. These, in turn, may impact the Group's revenue, costs, profits, business, financial condition, results or prospects.

Any such increases in excise duties, prices or other taxes could therefore have an adverse effect on the revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Failure to achieve the expected benefits of its strategic transformation programme may cause the Group to fail to achieve its targets

In order to support its strategic objectives the Group is undertaking a number of strategic change initiatives, including focusing on priority markets, identifying opportunities to drive growth while realising efficiencies in the Group's broader market portfolio and building a successful and commercially sustainable NGP business. Targeting and accomplishing the Group's strategic transformation goals involves meeting project timelines and key milestones, achieving budgeted savings and returns in key strategic projects and achieving key objectives. There can be no assurance that the Group will be successful in accomplishing these goals. Failure to do so may result in increased implementation and opportunity costs, loss of investor and market confidence and adverse impacts on short-term operational performance.

Any failure to meet the Group's strategic transformation goals may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Major incidents resulting from a cyber or similar technology risk may have a material adverse effect on the Group

The Group is exposed to risks of cyber-attacks, either from external sources or through the mis-use of internal resources. The Group, like other large corporates, also faces increasing risks of cyber-attacks through its extended supply chain, whereby one company in the supply chain is the target of an attack and others to which it has connections are then also impacted.

The Group's business is dependent on efficient, robust information technology (**IT**) systems, some of which are managed by third-party service providers, for its operations, internal communications, controls, reporting and relations with regulators, customers and suppliers.

Any material failure in the Group's IT processes or its operations, or failure of the Group's third-party IT service providers, could impact the Group's product supply to markets or retailers, the Group's ability to operate and potentially result in legal liability and reputational harm and have a negative impact on customer service, resulting in a loss of customers, and may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

The Group holds, controls and processes a significant volume of personal data and could be adversely affected if any of this data were to be lost, compromised or not handled in accordance with the relevant data protection legislation

The EU General Data Protection Regulation (Regulation (EU) 2016/679), as amended (the **GDPR**), and the GDPR as it forms part of UK domestic law by virtue of the EUWA (the **UK GDPR**) impose obligations on data controllers and data processors and set out rights for data subjects (all as defined in the GDPR and the UK GDPR) with which the Group must comply. The GDPR and the UK GDPR also introduce significant financial penalties and other sanctions (including a fine of up to 4 per cent of annual global turnover, or to cease non-compliant processing) that can be imposed on the Group as the result of any non-compliance with the GDPR and/or UK GDPR provisions. Similar requirements are in place in other geographies, for example, in the US a number of states have followed California's example and introduced legislation protecting the personal information of consumers. The potential for further adoption of such legislation across other states or geographies could increase the Group's exposure to data protection risks.

Although the Group has robust data protection policies and procedures in place, it is primarily reliant upon the robustness of its IT security and the appropriate actions of its employees in complying with these policies and procedures to manage the risk. Failure to protect personal data and ensure employee compliance could result in regulatory breaches and related censure, financial penalties and reputational damage.

A successful cyber-attack on the Group could result in loss of sensitive personal and/or corporate data, thus impacting the Group's ability to achieve its strategy or maintain its competitive advantage, and could also impact its ability to operate, result in legal liability and adversely affect its reputation.

Failure to invest in, deploy or manage appropriate IT systems and infrastructure to ensure the protection of personal data and support the business and its end-to-end supply chain (including protection of confidential or sensitive information) or a failure by employees to understand and/or comply with Group policies and standards may lead to data breaches and inefficient business operations, including, but not limited to, poor supply chain management, and have a negative impact on customer service, resulting in a loss of customers, and may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Litigation resulting in adverse judgements and related costs may cause the Group to incur substantial damages

In addition to the matters detailed in "*Description of the Group and its Business—Litigation*", it can be expected that legal actions, proceedings and claims arising out of the sale, distribution, manufacture, use, development, advertising, marketing and claimed health effects of its products, including tobacco products and

NGP, will be filed against the Group in the future. The damages sought in any such claims could be significant, and the Group may not be successful in defending all of the claims that may arise. To the extent that the Group's assessment as to the likely outcome of any claim does not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be affected. In addition, regardless of the outcome of any litigation, the Group would incur costs and would need to devote management time to defending any claims, which it may not be able to recover fully or at all, irrespective of whether it was successful in defending such claims.

In the US, the jurisdiction with the greatest prevalence of smoking and health-related litigation, such claims could be brought in a variety of courts by various parties, ranging from individuals, class actions, regulators and others and (subject to certain provisions in settlements with US states) could relate, among others, to a wide range of damages, including individual damages, healthcare and other costs. For example, there has been an increase in litigation activity in the US related to the aggressive marketing previously employed by the Group's competitors in the vapour market. The outcomes of this increased litigation could result in precedents that further increase the number of claims made against manufacturers of vapour products, including the Group. Even where these claims do not result in prosecution, there may be costs associated with managing and defending such matters.

The Group is subject from time to time, and may in the future be subject, to investigation or litigation for alleged current or historical abuse of its market position or alleged current or historical breaches of other competition laws, which can result in adverse regulatory action by the relevant authorities, including inspections and fines, along with potential actions for follow-on damages and negative publicity. The Group is currently co-operating with relevant competition authorities in relation to three competition law investigations. While the Group endeavours to comply with all applicable laws, there can be no definitive assurances that these investigations (or any future investigations to which the Group may be subject) will not result in a fine being levied and/or actions being brought against members of the Group. See also "*Description of the Group and its Business—Litigation*".

Some tobacco purchased by the Group is cultivated in countries with high levels of poverty and heightened risks of human rights violations and child labour, particularly where farmers rely on temporary or casual workers or family labour. As a result of its activities in developing markets, the Group currently is, and may in the future be, a party to litigation in these markets. The outcome of legal proceedings in these jurisdictions may be particularly uncertain, as legal, administrative and judicial systems or judiciaries in some developing markets can be unpredictable. See also "*Description of the Group and its Business—Litigation*".

An unfavourable outcome or settlement of any pending or future smoking, NGP and health-related or other litigation (whether involving the Group or other tobacco or NGP companies) may increase the likelihood of new actions, adversely affecting the Group's ability to prevail in similar or related litigation. Additionally, the reputational damage arising from investigations or allegations of non-compliance with regulations could have a material impact with external stakeholders.

Furthermore, there can be no assurance that legal aid such as attorneys' fees or other funding will continue to be denied to claimants in smoking, NGP and health-related or other litigation in any jurisdiction in the future. If future claimants are able to obtain legal aid or funding to finance their litigation against the Group, or such actions are otherwise made easier, this may increase the number of claims and claimants' likelihood of prevailing on such claims.

A material increase in the number of pending claims could significantly increase the costs and management time for the Group to defend such claims. There can be no assurances that any future litigation against the Group, if successful, would not have an adverse effect on the revenue, costs, profits, business, financial condition, results or prospects of the Group. In addition, even if the Group is not party to litigation, any adverse judgment against a tobacco or NGP manufacturer or in relation to the tobacco or NGP market could have an impact on market conditions, which may adversely affect the revenue, costs, profits, business, financial condition, results or prospects of the Group. This, in turn, could have an adverse effect on the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

The Group may fail to sufficiently manage its liquidity and financing requirements

The Group has a significant amount of indebtedness and debt service obligations. The Group dedicates a significant portion of cash flow from operations to debt service obligations, depending on the level of borrowings, prevailing interest rates and foreign currency exchange rate fluctuations, which may also reduce the funds available to the Group for capital expenditure, investment within the Group, acquisitions and other expenditure. Furthermore, the Group cannot be certain that it will have access to bank financing or to the debt and equity capital markets at acceptable terms or at all and is therefore subject to funding and liquidity risks. In addition, the Group's access to funding may be affected by restrictive covenants to which it is subject under some of its debt instruments. The Group had reported net debt of £9,373 million as at 30 September 2021 and £9,757 million as at 31 March 2022.

The Group may, for a number of reasons, be unable to refinance its debt, when it matures, in the debt capital markets, bank loan markets, ECP market or other financing markets available to the Group at that time. Access to financing in the future may depend on, among other things, the future expected performance of the Group, suitable market conditions and the maintenance of suitable long-term and short-term credit ratings. Additionally, there may be an unwillingness of financial (or other) counterparties to transact with, or facilitate transactions with, the tobacco sector (or any other sector in which the Group is currently invested, may invest or have an interest from time to time). See "*Description of the Group and its Business*". These factors may be exacerbated by the current COVID-19 pandemic, which has resulted in increased financial market volatility. See "*—Actual or perceived effects of the global COVID-19 pandemic could negatively impact the Group's business*".

If conditions in credit markets are unfavourable and/or one or more of the Group's credit ratings are downgraded or placed on negative credit watch, the marketability and trading value of the Notes may be materially diminished, and the Group may not be able to obtain new sources of financing and/or such new sources of financing, together with the Group's existing financing sources, may be at higher costs and/or include additional financial, operating or other obligations.

Failure to maintain cash flows could impact the Group's ability to manage and/or reduce its indebtedness, which could impact covenants to which it is subject, its credit ratings, existing and future financing, and investor confidence. In addition, if one or more of the Group's credit ratings are downgraded, the Group may not be able to obtain new sources of financing and/or such new sources of financing, together with the Group's existing financing sources, may be at higher costs and/or include additional financial, operating or other obligations.

The Group's indebtedness could also limit its ability to borrow additional funds for capital expenditure investment within the Group, acquisitions and other expenditure; limit flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industry in which the Group operates; place the Group at a competitive disadvantage compared to competitors that may be less leveraged than the Group; and increase the Group's vulnerability to both general and industry-specific adverse economic conditions.

The Group has financing made available and, from time to time, places cash deposits with and has entered into derivative and other financial transactions with financial institutions. Access to such funding, repayment of cash deposits and performance under derivative and other financial transactions may be reduced due to the Group's counterparties being unable to honour their commitments in full or in part. As such, cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. The failure of any counterparty to meet the Group's payment obligations or performance undertakings to it or the deterioration in the financial condition of one or more of its counterparties could have an adverse effect on the Group's, the Issuer's and/or either of the Guarantors' financial condition or operations. In addition, the failure of a transactional banking counterparty could cause disruption to the Group's operations.

Any of the factors listed above may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

The availability of the Group's products to consumers could be affected by supply chain failures, price fluctuations, inflation, increased costs and issues related to labour relations

Continuity of supply of the Group's products relies upon the effective management of its product supply chain, which includes, but is not limited to, manufacturing facilities owned and managed by the Group, availability of key systems through the end-to-end supply chain (e.g. product track-and-trace requirements), contract manufacturing suppliers, raw material suppliers, logistics and warehouse suppliers and third-party systems providers, as well as the successful implementation of contingency plans for events such as localised extreme weather and other natural catastrophes, for example earthquakes.

Material failure in the Group's manufacturing or supply chain processes could result in a short-term reduction in supply to markets, including but not limited to, reliance on systems and processes in the full end-to-end supply chain (notably in the EU) to achieve compliance with track-and-trace requirements. Failure to comply with these requirements, or failure of the related systems/processes, could prevent the shipment of product through the supply chain.

Production could be impacted by any deterioration in labour or union relations, or any disputes or work stoppages or other labour-related developments (including problems experienced during any consultation procedures or programmes or the introduction of new labour regulations in countries where the Group operates). The Group's management believes that all of the Group's operations have, in general, good relations with their employees, employee representatives and unions. However, there can be no assurance that the Group's business or operations will not be affected by labour-related problems in the future. In addition, there can be no assurance that any deterioration in labour or union relations, or any disputes or work stoppages or other labour-related developments will not adversely affect the Group's revenue, profits, business, financial condition or results.

Loss of, or disruption in the ability of, a key supplier of raw materials as a result of, among other things, COVID-19 related impacts, sanctions on Russia related to the conflict between Russia and Ukraine, financial failure, failure to manage supplier relationships effectively or the decision of a third party not to supply the Group could impact supply chain planning. Although production and market contingency planning is in operation in the event of loss of production capacity due to any localised or country-specific issue, such contingency plans could be affected by a number of factors, including product regulation, notably FDA regulation, the requirements of the EUTPD and implementations of the FCTC and its Anti-Illicit Trade Protocol, as well as other product track-and-trace requirements. Any material failure in the Group's product supply could result in lost sales, and a potential longer-term loss of consumer loyalty.

As with other agricultural commodities, the price of tobacco leaf tends to be cyclical, as supply and demand considerations (including production costs and demand for other agricultural commodities such as foods or bio-energy crops) influence tobacco plantings in those countries where tobacco is grown. Different regions may experience variations in weather patterns that may affect crop quality or supply and so lead to changes in price and availability. In addition, political situations may result in a significantly reduced availability of tobacco leaf in any affected country. This may also lead to increases in price that the Group may be unable to pass onto customers.

Furthermore, the Group has in the past made a majority of its leaf purchasing commitments in US dollars, thereby exposing the Group to foreign currency exchange rate risks embedded in the cost of its tobacco purchasing. Fluctuations and/or inflation in the price of tobacco leaf may have an adverse effect on the Group's revenue, costs, profits, business, financial condition, results or prospects, which, in turn, could have an adverse effect on the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

The Group is dependent on managing macro-financial risks, including fluctuations and/or inflation in the price and/or availability of tobacco leaf, commodity prices and the price of other materials, including those used in the manufacture of NGP. Additionally, in common with other multinational corporations, the COVID-19 pandemic has placed significant pressures on the Group's logistics supply chain, with supply chains being affected across multiple industries globally, as well as on raw material suppliers, which may result in some future cost increases and which could impact the Group's short-term supply to markets. Raw material suppliers have also been, and may continue to be, affected by severe weather episodes. Such severe weather episodes could then further impact manufacturing, warehousing and the cost of short-term supply to markets. Any of the factors listed

above may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Failure to attract or retain required capabilities and talent may cause the Group to fail to maintain a productive and safe working environment to employees

The Group's success will depend to a substantial extent on the ability and experience of its senior management as well as its ability to attract and retain, among others, a qualified sales force, and teams of engineers and employees with managerial, technical, sales, marketing, digital and IT support skills. The loss of the services of certain key employees, particularly to competitors or other consumer product companies, may have an adverse effect on the Group's revenue, costs, profits, business, financial condition, results or prospects, which, in turn, could have an adverse effect on the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects. In addition, management believes that as the Group's business develops and expands, the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which cannot be guaranteed. The failure to attract or retain individuals with key capabilities could significantly impede the Group's financial plans, growth, marketing and other objectives. Employee retention may be particularly challenging following acquisitions or divestures as the Group must continue to motivate employees and keep them focused on its strategies and goals. Failure to retain or loss of the skills necessary to execute integration growth plans and deliver key customer programmes may lead to reduced retailer confidence which may adversely affect the Group's revenue, costs, profits, business, financial condition, results or prospects.

The Group's success also depends on its ability to embed an organisational culture that facilitates consumer focus, to ensure that the skills and capabilities of its employees align with its operational or strategic objectives, and to ensure safe working practices for its employees, including providing an appropriate work environment and required support to ensure employee wellbeing. If the Group does not maintain these conditions and practices, this may lead to an unproductive working environment and higher employee churn rates, potentially adversely impacting the Group's revenue, costs, profits, business, financial condition, results or prospects.

Failure to maintain any of the factors listed above may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

The Group's product portfolio and/or interaction approach may not be aligned with consumer preferences and may result in a negative impact on demand for the Group's products and on the Group's performance

Since the 1990s, there has been a general decline in the consumption of legitimate tobacco products in many of the countries in which the Group operates. This decline in certain developed countries such as the UK, the US, Germany and Spain, where the Group currently has significant operations, may be attributed to a variety of factors, including, but not limited to, health concerns, increasing government regulation, the diminishing social acceptance of smoking, frequent and substantial increases in the excise duty on legitimate tobacco products or a substantial increase in cost attributable to a change in the manner of excise duty collection, increases in the trade of illicit tobacco products and potential future growth of the NGP market.

The industry has experienced the emergence of new industry-wide low-price tiers and a persistent consumer trend of downgrading to lower price point products. This may include category shifts from higher-priced product categories to lower-priced product categories or from premium-priced products to economy-priced alternatives within a single product category. For example, during the periods under review, the Group has experienced downtrading in mature markets in particular, as consumer purchasing patterns have shown an increased demand for lower-priced products and brands.

During the year ended 30 September 2021, the Group experienced total (organic) tobacco volume decline on a stick equivalent basis of 2.9 per cent in line with the wider market. Any future substantial decline in the demand for legitimate tobacco products could have an adverse effect on the Group's, the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

Although the Group actively manages its brand portfolio across segments and price points, there can be no assurance that the Group will be able to align its product portfolio or interaction approach to meet consumer

preferences or to adequately respond to competitor offerings. Such a failure could result in lower demand for the Group's products, and, in turn, lower sales volumes and reduced brand equity. In addition, the Group may be unsuccessful at identifying intellectual property constraints in the innovation of new products, which could have an adverse impact on the development of the Group's product portfolio and its ability to respond to competitor offerings. Failure to ensure effective implementation of market initiatives or to successfully act upon consumer insights could also result in wasted investments and lost opportunities.

Additional pressure on the consumer choices comes from the continued availability of illegal cross-border trade, in the form of counterfeit products, locally manufactured products on which applicable local sales taxes are evaded and smuggled genuine products, which is a significant and, in some countries, growing threat to the legitimate tobacco industry and could also impact NGP. The level of illegal trade is exacerbated by price differentials between legitimate and illicit products caused by substantial increases in excise duties or a substantial increase in cost attributable to a change in the manner of excise duty collection. Any factor that increases the costs to consumers of tobacco products could encourage more consumers to switch to cheaper, illegal tobacco products and provide greater rewards for counterfeiters, smugglers and organised crime. In addition, regulatory initiatives, such as plain packaging or standardised appearance, taste or ingredients, may further contribute to an increase in illicit trade of tobacco products.

In addition, the continued success and attractiveness of the Group's products may rely on trademarks, patents, registered designs, copyrights and trade secrets. The Group attempts to protect its intellectual property rights in the UK, the EU, the US and elsewhere through a combination of trademarks, patents, registered designs, copyrights and trade secret laws, as well as confidentiality agreements. However, the Group may fail to obtain or maintain adequate protection of such intellectual property rights.

Any of the factors listed above may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

The Group may be adversely affected by changes in tax regulation or changes in the interpretation of such regulation

Any adverse changes in the tax regimes that the Group is subject to may have a significant impact on the taxes that the Group must pay and could accordingly have an adverse effect on the revenue, costs, profits, business, financial condition, reputation, results or prospects of the Group, the Issuer and/or either of the Guarantors.

As a multinational, the Group is subject to the risk of changes in local tax requirements and interpretation thereof as well as regional or global initiatives such as EU regulations on the treatment of international tax initiatives.

The Group may be adversely affected by the outcome of claims and challenges by taxation authorities, whether as a result of tax audits or otherwise. Provisions arising from uncertain tax positions included in the 2021 Financial Statements for the year ended 30 September 2021 were £306 million. It is possible that the amounts paid in the future could be materially different from the amounts provided for in the consolidated financial statements of the Group. In addition, not all tax disputes or uncertain tax positions are covered, in whole or in part, by provisions in the Group's financial statements, which are only recognised when requirements of IFRS therefor are satisfied.

The Group may be adversely affected by internal control failures, including the Group's own employees, retail partners or suppliers

The Group requires its employees to comply with its internal policies and procedures and local legal requirements. However, the risk exists that employees fail to comply with such policies and procedures, including, but not limited to, health and safety violations, and engaging in fraudulent or illegal activity by an employee. Any breach of the Group's policies and procedures (deliberate or otherwise) may expose the Group to the risk of, among other things, governmental investigation, regulatory action and civil and/or criminal liability.

In addition, the Group maintains detailed codes of conduct to which it requires its retail partners to adhere that deal with, but are not limited to, restrictions on selling the Group's products to minors in compliance with local laws. There can be no assurance, however, that the Group's retail partners will adhere to these restrictions,

which could result in, among other things, harm to the Group's reputation or liability to regulators. Similarly, the Group's global suppliers are required to comply with the Group's Supplier Code, with contractual requirements to adhere to Group standards relating to the practices they follow in meeting the demands of the Group. The areas covered by such requirements include, but are not limited to, human rights, legal and regulatory compliance, and illicit trade.

A failure of the Group or its employees to follow internal procedures or the failure of retail partners or suppliers to follow codes of conduct may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors. However, notwithstanding anything contained in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Guarantors will be unable to comply with their obligations as companies with securities admitted to the Official List.

The Group's products could be affected by failures in product stewardship, quality control and/or contamination

The Group's products may fail to comply with product stewardship standards, or become contaminated or may otherwise fail to comply with the Group's or its regulators' quality standards, for example, as a result of an accident during the manufacturing or supply chain process or deliberately with malicious intent, or a malfunction, in the case of vapour products. In these instances, significant costs may be incurred in recalling products from the market or as a result of negative publicity. In addition, consumers may lose confidence in the affected brand or brands, resulting in a loss of sales volume, which may take a long time to recover or may not recover fully or at all. During this time, the Group's competitors may substantially increase their market share, which would subsequently be difficult and costly to regain. The Group may also be subject to claims in respect of such product failure.

Any of the factors listed above may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Failure to manage interest or foreign exchange rates may adversely affect the Group's results

The Group is exposed to movements in foreign currency exchange rate due to its overseas subsidiaries, its commercial trading transactions denominated in foreign currencies and foreign currency cash deposits, borrowings and derivatives. For significant acquisitions of overseas companies, the Group endeavours to raise financing in the appropriate currency (or are swapped via derivatives into the appropriate currency) to minimise risk.

The Group's material foreign currency denominated costs include the purchase of tobacco leaf, which is sourced from various countries, but purchased principally in US dollars, and packaging materials, which are sourced from various countries and purchased in a number of currencies.

The Group currently has investments in foreign entities that operate in countries whose currency is different from sterling (mainly in the EU, as well as in Morocco, Australia and the US). Consequently, the Group is exposed to the translation of the results of overseas subsidiaries into sterling, as well as to the impact of trading transactions in foreign currencies. Significant fluctuations in foreign currency exchange rates could have an adverse effect on the Group's revenue, costs, profits, business, financial condition, results or prospects, which, in turn, could have an adverse effect on the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

The Group is also exposed to fluctuations in interest rates on its borrowings and surplus cash balances. As approximately 34 per cent of the Group's net debt (after adjusting for the effect of derivative financial instruments) outstanding as at 31 March 2022 was at floating levels of interest, the Group is exposed to movements in interest rates which could result in higher cash outflows, reducing the capital available to the Group. As at 31 March 2022, the Group had adjusted net debt of £9,157 million. Of this, approximately 74 per cent was denominated in euro and 26 per cent in US dollars (after adjusting for the effect of currency and interest rate derivatives). Accordingly, the Group's financial results as at 31 March 2022 were exposed to gains or losses arising from fluctuations in interest rates relating predominantly to euro and US dollars. Significant fluctuations in interest rates may have an adverse effect on the Group's revenue, profits, financial condition or results, which, in turn, could have an adverse

effect on the Issuer's and/or either of the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

Loss of key customers or distributors may adversely affect sales continuity in core markets and adversely affect the Group's results

Group companies have a number of key customers and distributors that may be under contractual arrangements, which may have relatively short durations and/or termination periods. The permanent or temporary loss of key customers, or a material concentration of smaller customers, or distributors may adversely affect the Group's sales volume, market share and profits. The Group may be unable to renew agreements with key customers or distributors on satisfactory terms for numerous reasons, including government regulations or consolidation within the market. The loss or consolidation of any of these key customers or distributors, the permanent or temporary loss of sales from a material number of smaller customers, or their inability to pay material amounts owed, may have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group, the Issuer and/or either of the Guarantors.

Substantial payment obligations under the MSA and other State Settlement Agreements, along with US state certification requirements, may have an adverse effect on the cash flows and operating income of the Group

In the US, the Master Settlement Agreement (**MSA**) is an agreement between certain tobacco manufacturers (including members of the Group) and 46 US states, the District of Columbia and five US territories, which imposes substantial payment obligations on those manufacturers. In addition, the original participating manufacturers under the MSA had previously settled similar claims brought by Mississippi, Florida, Texas and Minnesota (the **Initial State Settlements** and, together with the MSA, the **State Settlement Agreements**). See "*Description of the Group and its Business—Litigation—Americas—US litigation environment and State Settlement Agreements*". ITG Brands and its affiliates are parties to the MSA and to the Mississippi, Minnesota and Texas State Settlement Agreements.

The State Settlement Agreements require that the participating manufacturers make significant annual payments, which in 2021 amounted to approximately US$8.3 billion. In addition, certain of the participating manufacturers (not including ITG Brands and its affiliates) are required to pay settling plaintiffs' attorneys' fees, subject to an annual cap of US$500 million, and were required to pay an additional amount of up to US$125 million in each year to 2008. These payment obligations are several and not joint obligations of each participating manufacturer. Annual payments are required to be paid in perpetuity and are subject to adjustment for several factors, including inflation, domestic market share and unit volume and (for some manufacturers and brands) industry and individual company operating profits, with respect to the MSA, in the year preceding the year in which payment is due, and, with respect to the other State Settlement Agreements, in the year in which payment is due. As such, it is possible that any adjustments to volume, market share and industry and individual company operating profits as well as inflation may have an adverse effect on the State Settlement Agreements' impacts on the obligations, revenue, costs, profits, business, financial condition, results or prospects of the Group. The State Settlement Agreements also include provisions relating to significant advertising and marketing restrictions, public disclosure of certain industry documents, limitations on challenges to tobacco control and underage use laws, and other provisions.

From time to time, lawsuits have been brought against participating manufacturers to the MSA, or against one or more of the states that are party to the MSA, challenging the validity of the MSA and/or statutes related to it on certain grounds, including as a violation of the antitrust laws. ITG Brands and certain of its affiliates have agreed to make payments under the MSA and the Mississippi, Minnesota and Texas State Settlement Agreements, and payments are made for certain of their products under the equity fee statutes in Mississippi, Minnesota and Texas. Florida, Minnesota and Texas brought suits, claiming, among other things, that ITG Brands owes settlement payments under the relevant State Settlement Agreements. Texas also claimed that the fees being paid on ITG Brands products under its equity fee statute have been too low since June 2015. All previous litigation between the Group and Florida, Minnesota and Texas has now been resolved by means of a settlement in Minnesota and Texas and a judgment requiring Reynolds to continue to make settlement payments in Florida. Reynolds brought a related suit in Delaware claiming breach of the agreement relating to the 2015 US Acquisition regarding the Initial State Settlements and seeking indemnity for any payments it makes related to the Florida

suits. Certain parties to the MSA have also unsuccessfully challenged the application of a reduction to payments, the PSS Reduction, to the Group's MSA payments, and may still attempt to arbitrate those claims.

The existence, nature, calculation and extent of payment and other obligations (or the result of any litigation in respect of the same) for the brands sold under the MSA, the other State Settlement Agreements and the equity fee statutes cannot be predicted with certainty. The amounts that may be payable by the Group in respect of such taxes, agreements and statutes may be material, which could have an adverse effect on the reputation, revenue, costs, profits, business, financial condition, results or prospects of the Group and/or the Guarantors.

In addition, the US states which are a party to the MSA have passed statutes requiring tobacco cigarette brands to be "certified" (approved for sale) by state authorities before they can be sold in that state. The Group may be adversely affected by decisions made by any state not to certify or to de-list brands. This, in turn, could have an adverse effect the Guarantors' revenue, costs, profits, business, financial condition, results or prospects.

Risks Relating to the Offering

The Issuer is a financing vehicle and is reliant on the business of the Group

The Issuer is a financing vehicle with no business operations of its own, other than raising financing, advancing funds to, receiving funds from, and providing treasury services for, Imperial Brands and other members of the Group. Accordingly, the Issuer has no trading assets and does not generate trading income, but may generate interest income on its activities. Interest payments in respect of the Notes will effectively be paid from cash flows generated from the business of the Group and accordingly the ability of the Issuer to pay interest on and repay the Notes will be subject to all the risks to which the Group is subject. See "*—Risks Relating to the Group*" above. The ability of the Issuer to make interest payments on the Notes is therefore dependent on its rights to receive payments from companies within the Group. If these payments are not made by companies within the Group, for whatever reason, the Issuer would not expect to have any other sources of funds available to it that would be sufficient to make payments on the Notes. In such circumstances, Noteholders would have to rely upon claims for payment under the Guarantees, which may be terminated or substituted with guarantees provided by members of the Group different from the Guarantors in certain circumstances without the consent of the Noteholders. If the Subsidiary Guarantee (as defined herein) is terminated, none of the Issuer and the Guarantors is required to replace such Subsidiary Guarantee, and the Notes will have the benefit of fewer guarantees for the remaining of their maturity. See also "*Description of the Notes and the Guarantees—Status of the Notes and Guarantees*".

There is an absence of a public market for the Notes and there are restrictions on the transfer of Notes

The Notes are a new issuance of securities for which there is currently no public market. The Issuer has applied for the listing of the Notes on the Professional Securities Market of the London Stock Exchange. However, the Issuer cannot assure investors that the Notes will be listed on the Professional Securities Market of the London Stock Exchange or any exchange at the time the Notes are delivered to the Initial Purchasers or at any other time. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the Group's performance and other factors. The liquidity and future trading prices of the Notes will also depend on the ability (including as a result of regulatory developments such as the SEC's interpretation of Rule 15c2-11 under the Exchange Act and its application to debt securities) and interest of securities dealers in making a market in the Notes. Because the Notes are being sold pursuant to an exemption from registration under applicable securities laws and, therefore, may not be publicly offered, sold or otherwise transferred in any jurisdiction where such registration may be required, no public market for the Notes will necessarily develop. Certain of the Initial Purchasers may make a market in the Notes after this Offering is completed. However, they are not obligated to do so and the Initial Purchasers may cease any such market-making activities at any time. There can be no assurance that an active trading market for the Notes will develop, or if one does develop, that it will be sustained. See also "*Plan of Distribution*" and "*Transfer Restrictions*".

The Notes have not been registered under the Securities Act or the securities laws of any state of the United States or other jurisdiction, and the Issuer has not agreed to and does not intend to register the Notes under the Securities Act, the securities laws of any state of the United States or other jurisdiction. Therefore, investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable US state or local securities laws. Investors should read the

section "*Transfer Restrictions*" for further information about the transfer restrictions that apply to the Notes. It is an investor's obligation to ensure that their offers and sales of Notes within the United States and other jurisdictions comply with all applicable securities laws.

The Notes will initially be held in book-entry form and, therefore, investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

Unless and until Notes in definitive registered form are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or Holders of Notes. DTC, or its nominee, will be the registered Holder of the Rule 144A Global Note and Regulation S Global Note for the benefit of its participants, including Euroclear and Clearstream, Luxembourg. After payment to the registered Holder, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of DTC, Euroclear and/or Clearstream, Luxembourg, and if they are not a participant in DTC, Euroclear and/or Clearstream, Luxembourg, on the procedures of the participant through which such investors own their interest, to exercise any rights and obligations of a Holder under the Indenture. See also "*Book-Entry, Delivery and Form*".

Unlike the Noteholders themselves, owners of book-entry interests will not have any direct rights to act upon the Issuer's solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if investors own a book-entry interest, they will be permitted to act only to the extent they have received appropriate proxies to do so from DTC, Euroclear and/or Clearstream, Luxembourg or, if applicable, from a participant thereof. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable investors owning book-entry interests to vote on any matters on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if investors own a book-entry interest, they will be restricted to acting through DTC, Euroclear and/or Clearstream, Luxembourg. The Issuer cannot assure investors that the procedures to be implemented through DTC, Euroclear and/or Clearstream, Luxembourg will be adequate to ensure the timely exercise of their rights under the Notes. See also "*Book-Entry, Delivery and Form*".

The Group may incur substantially more debt in the future

The Group may incur substantial additional indebtedness in the future, including in connection with future acquisitions, some of which may be secured by some or all of the Group's assets. The terms of the Notes will not limit the amount of indebtedness the Group may incur. Any such incurrence of additional indebtedness could exacerbate the related risks that the Group faces.

The Notes and the Guarantees will be unsecured, and therefore will effectively be subordinated to any secured debt

The Notes and the Guarantees will not be secured by any of the Issuer's or the Guarantors' assets or those of other companies in the Group. As a result, the Notes and the Guarantees are effectively subordinated to any secured debt incurred by the Issuer or the Guarantors. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of the Issuer's or a Guarantor's secured debt may assert rights against the secured assets in order to receive full payment of their debt before the assets may be used to pay the Noteholders. In any such event, there is no assurance to Noteholders that there will be sufficient assets to pay amounts due on the Notes.

In addition, each of the Issuer and Imperial Brands is a public limited company registered in England and Wales and ITL is a private limited company registered in England and Wales. A majority of the directors of Imperial Brands and all of the directors of the Issuer and ITL, as well as certain of the members of the Group's executive leadership team, named in this Offering Memorandum are not residents of the United States and a substantial portion of the assets of the Group and its directors and officers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them judgments of courts of the United States with respect to payments under the Notes and the Guarantees. See also "*Service of Process and Enforceability of Certain Civil Liabilities*".

The Issuer or the Guarantors may be unable to raise funds necessary to finance the change of control repurchase offers required by the Indenture governing the Notes

Under the Indenture, if a Change of Control Triggering Event occurs with respect to the Notes, unless the Issuer has redeemed the Notes in full, it will be required to make an offer to each Holder of the Notes to repurchase all or any part of that Holder's Notes on the terms set forth in the Notes. In the Change of Control Offer, the Issuer will be required to offer payment in cash equal to 101 per cent of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of such repurchase. See also "*Description of the Notes and the Guarantees—Repurchase Upon a Change of Control Offer*". Any requirement to offer to repurchase outstanding Notes may require the Issuer, the Guarantors or the Group to refinance some of their other outstanding debt, which they may not be able to do on commercially reasonable terms, if at all.

Imperial Brands may be dependent on the performance of, and payments from, its subsidiaries, associates and joint ventures to fund payments to investors in the Notes, and its ability to make payments under its Guarantee may, therefore, be affected by the Group's organisational structure

Imperial Brands is a holding company and does not itself conduct any business operations. Imperial Brands relies on dividends and other payments from its subsidiaries, associates and joint ventures to generate the funds necessary to meet its obligations. To date, Imperial Brands has wholly or partially funded its obligations with debt and cash flows from dividends. Imperial Brands' subsidiaries, associates and joint ventures are separate legal entities and are under no obligation, contractual or otherwise, to pay dividends. The ability of Imperial Brands' subsidiaries, associates and joint ventures to make such payments are subject to, among other things, the availability of profits or funds, the terms of each entity's indebtedness, the terms of their articles of association, the terms of their shareholder agreements (if any) and applicable laws, including foreign currency exchange controls, withholding tax rules and other laws.

Because Imperial Brands is a holding company, its rights and the rights of its creditors, including the Noteholders, to participate in the assets of any subsidiary of Imperial Brands upon the subsidiary's liquidation or recapitalisation will be subject to the prior claims of such subsidiary's creditors except to the extent that Imperial Brands may itself be a creditor with recognised claims against such subsidiary.

Investors in the Notes may have limited recourse against the independent auditors

In respect of each of the independent auditors' reports relating to the 2021 Financial Statements and the 2020 Financial Statements incorporated by reference herein, Ernst & Young LLP, the Group's independent auditors, states the following: "This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed".

In respect of the independent auditors' report relating to the 2019 Financial Statements incorporated by reference herein, PricewaterhouseCoopers LLP, the Group's previous independent auditors, states the following: "This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing".

Investors in the Notes should understand that, in making these statements, the independent auditors confirmed that they do not accept or assume any liability to parties (such as the purchasers of the Notes) other than the Group, with respect to the reports and to the independent auditors' audit work and opinions.

The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act, or in a report filed under the Exchange Act. If a US court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their report or the combined and consolidated financial information to which they relate could be limited.

Credit ratings may not reflect all risks, are not recommendations to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above or other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the relevant credit rating agency at any time.

USE OF PROCEEDS

The estimated net proceeds from the issuance of the Notes, after deducting underwriting discounts and other estimated expenses payable in connection with the Offering, are expected to be approximately US$985.7 million.

The Group intends to add the net proceeds from the issuance of the Notes to its general funds, which may be used to refinance certain existing debt of the Group (including with respect to the Issuer's cash tender offer for any and all of its US$1,000,000,000 3.500% notes due 11 February 2023).

See also "*Capitalisation*" below.

CAPITALISATION

The following table sets forth the Group's consolidated cash and cash equivalents and capitalisation as at 31 March 2022. The table below should be read in conjunction with the sections "*Presentation of Financial, Market and Other Information*", "*Use of Proceeds*", "*Selected Consolidated Financial Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of the Notes and the Guarantees*" and the Consolidated Financial Statements incorporated by reference in this Offering Memorandum.

	As at 31 March 2022 (***in £ million***)
Cash and cash equivalents	**(588)**
Current borrowings	
Bank loans and overdrafts	519
Capital market issuance	1,202
Total current borrowings	**1,721**
Non-current borrowings	
Bank loans and overdrafts	1
Outstanding bonds	7,978
Total non-current borrowings	**7,979**
Lease liabilities[(1)]	241
Derivative financial instruments	404
Total net debt[(2)]	**9,757**
Equity attributable to equity holders of Imperial Brands	5,334
Non-controlling interests	559
Total equity	**5,893**
Total capitalisation and indebtedness[(3)]	**15,650**

Notes:

(1) Represents lease liabilities recognised in accordance with IFRS 16 "Leases" in the 2022 Interim Financial Statements.

(2) Represents the total of cash and cash equivalents, current and non-current borrowings, lease liabilities and derivative financial instruments.

(3) Represents total net debt and total equity.

As at the date of this Offering Memorandum, except as indicated above, there have been no material changes to the Group's capitalisation and indebtedness since 31 March 2022.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Group should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the notes thereto, incorporated by reference in this Offering Memorandum. You should read the following information in conjunction with the sections entitled "Presentation of Financial, Market and Other Information", "Risk Factors", "Capitalisation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The financial information presented below has been derived from the Consolidated Financial Statements. Except as otherwise indicated herein, the financial information presented below: (i) as at and for the year ended 30 September 2019 has been derived from the 2020 Financial Statements, (ii) as at and for the years ended 30 September 2020 and 2021 has been derived from the 2021 Financial Statements, and (iii) as at and for the six months ended 31 March 2021 and 2022 has been derived from the 2022 Interim Financial Statements.

Selected Consolidated Income Statement Information

	For the year ended 30 September			For the six months ended 31 March	
	2019[1]	**2020[2]**	**2021**	**2021[3]**	**2022**
	(*in £ million, unless otherwise indicated*)				
Revenue	**31,594**	**32,562**	**32,791**	**15,568**	**15,362**
Duty and similar items	(15,394)	(15,962)	(16,229)	(7,640)	(7,539)
Other cost of sales	(9,960)	(10,420)	(10,535)	(5,068)	(5,087)
Cost of sales	**(25,354)**	**(26,382)**	**(26,764)**	**(12,708)**	**(12,626)**
Gross profit	**6,240**	**6,180**	**6,027**	**2,860**	**2,736**
Distribution, advertising and selling costs	(2,295)	(2,329)	(2,118)	(1,097)	(968)
Russian and associated markets exit	-	-	-	-	(201)
Acquisition and disposal costs	(22)	(26)	(17)	-	(5)
Profit/(loss) on disposal of subsidiaries	-	-	281	281	(16)
Amortisation and impairment of acquired intangibles	(1,118)	(523)	(450)	(211)	(182)
Excise tax provision	(139)	20	1	1	10
Fair value adjustment of loan receivable	3	(62)	15	17	2
Fair value adjustment of acquisition consideration	(129)	-	-	-	-
Restructuring costs	(144)	(205)	(257)	(40)	(7)
Other expenses	(199)	(324)	(336)	(174)	(168)
Administrative and other expenses	(1,748)	(1,120)	(763)	(126)	(567)
Operating profit	**2,197**	**2,731**	**3,146**	**1,637**	**1,201**
Investment income	890	770	1,060	1,071	908
Finance costs	(1,452)	(1,380)	(979)	(657)	(833)
Net finance income/(costs)	**(562)**	**(610)**	**81**	**414**	**75**
Share of profit/(loss) of investments accounted for using the equity method	55	45	11	8	(20)
Profit before tax	**1,690**	**2,166**	**3,238**	**2,059**	**1,256**
Tax	(609)	(608)	(331)	(215)	(221)
Profit for the period	**1,081**	**1,558**	**2,907**	**1,844**	**1,035**
Attributable to:					
Owners of the parent	1,010	1,495	2,834	1,806	995
Non-controlling interests	71	63	73	38	40
Earnings per ordinary share (*in £ pence*)					
Basic	106.0	158.3	299.9	191.2	105.2
Diluted	105.8	158.1	299.1	190.9	104.8

Notes:

(1) Represents the Group's consolidated income statement information for the year ended 30 September 2019 as reported in the 2020 Financial Statements.

(2) Represents the Group's consolidated income statement information for the year ended 30 September 2020 as reported in the 2021 Financial Statements.

(3) Represents the Group's consolidated income statement information for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

Selected Consolidated Balance Sheet Information

	As at 30 September			As at 31 March	
	2019[1]	2020[2]	2021	2021[3]	2022
			(*in £ million*)		
Non-current assets					
Intangible assets	18,596	18,160	16,674	16,753	16,431
Property, plant and equipment	1,979	1,899	1,715	1,714	1,609
Right of use assets	-	293	242	263	232
Investments accounted for using the equity method	81	117	88	88	67
Retirement benefit assets	595	940	1,046	942	1,048
Trade and other receivables	119	57	62	63	74
Derivative financial instruments	677	813	391	480	179
Deferred tax assets	370	381	564	303	503
State aid tax recoverable	-	-	101	101	101
	22,417	**22,660**	**20,883**	**20,707**	**20,244**
Current assets					
Inventories	4,082	4,065	3,834	4,575	4,445
Trade and other receivables	2,854	2,638	2,749	2,780	2,284
Current tax assets	195	206	234	219	261
Cash and cash equivalents	2,286	1,626	1,287	765	588
Derivative financial instruments	137	53	68	86	58
Current assets held for disposal	1,103	1,062	35	-	231
	10,657	**9,650**	**8,207**	**8,425**	7,867
Total assets	**33,074**	**32,310**	**29,090**	**29,132**	**28,111**
Current liabilities					
Borrowings	(1,937)	(1,442)	(1,107)	(1,498)	(1,721)
Derivative financial instruments	(28)	(41)	(62)	(42)	(49)
Lease liabilities	-	(64)	(57)	(60)	(55)
Trade and other payables	(9,352)	(10,170)	(9,106)	(9,012)	(8,746)
Current tax liabilities	(313)	(350)	(253)	(323)	(213)
Provisions	(284)	(220)	(188)	(153)	(159)
Current liabilities held for disposal	(37)	(38)	(35)	-	(215)
	(11,951)	**(12,325)**	**(10,808)**	**(11,088)**	**(11,158)**
Non-current liabilities					
Borrowings	(11,697)	(10,210)	(8,715)	(9,488)	(7,979)
Derivative financial instruments	(1,408)	(1,641)	(984)	(1,037)	(592)
Lease liabilities	-	(235)	(194)	(209)	(186)
Trade and other payables	(7)	(5)	(7)	(5)	(8)
Deferred tax liabilities	(931)	(924)	(1,037)	(911)	(961)
Retirement benefit liabilities	(1,249)	(1,256)	(1,199)	(1,179)	(1,139)
Provisions	(247)	(196)	(206)	(187)	(195)
	(15,539)	**(14,467)**	**(12,342)**	**(13,016)**	**(11,060)**
Total liabilities	**(27,490)**	**(26,792)**	**(23,150)**	**(24,104)**	**(22,218)**
Net assets	**5,584**	**5,518**	**5,940**	**5,028**	**5,893**
Equity					
Share capital	103	103	103	103	103
Share premium and capital redemption	5,837	5,837	5,837	5,837	5,837
Retained earnings	(2,255)	(2,364)	(788)	(1,447)	(712)
Exchange translation reserve	1,252	1,295	200	(43)	106
Equity attributable to owners of the parent	**4,937**	**4,871**	**5,352**	**4,450**	**5,334**
Non-controlling interests	647	647	588	578	559
Total equity	**5,584**	**5,518**	**5,940**	**5,028**	**5,893**

Notes:

(1) Represents the Group's consolidated balance sheet information as at 30 September 2019 as reported in the 2020 Financial Statements.

(2) Represents the Group's consolidated balance sheet information as at 30 September 2020 as reported in the 2021 Financial Statements.

(3) Represents the Group's consolidated balance sheet information as at 31 March 2021 as reported in the 2022 Interim Financial Statements.

Selected Consolidated Cash Flow Statement Information

	For the year ended 30 September			For the six months ended 31 March	
	2019[1]	**2020[2]**	**2021**	**2021[3]**	**2022**
			(*in £ million*)		
Cash flows from operating activities					
Operating profit	2,197	2,731	3,146	1,637	1,201
Dividends received from investments accounted for under the equity method	54	43	4	4	-
Depreciation, amortisation and impairment	1,316	910	815	372	356
(Profit)/loss on disposal of non-current assets	(19)	(2)	2	2	2
(Profit)/loss on disposal of subsidiaries	-	-	(281)	(281)	16
Post-employment benefits	(72)	(88)	(63)	(73)	(24)
Costs of employees' services compensated by share schemes	23	20	25	11	14
Fair value adjustment of acquisition consideration	129	-	-	-	-
Fair value adjustment of loan receivable	-	63	(15)	(17)	(2)
Movement in provisions	80	(121)	18	(52)	62
Operating cash flows before movement in working capital	**3,708**	**3,556**	**3,651**	**1,603**	**1,625**
(Increase)/decrease in inventories	(560)	67	70	(720)	(689)
(Increase)/decrease in trade and other receivables	(267)	241	(201)	(28)	240
Increase/(decrease) in trade and other payables	877	734	(533)	(583)	(203)
Movement in working capital	50	1,042	(664)	(1,331)	(652)
Tax paid	(522)	(568)	(820)	(431)	(273)
Net cash generated from/(used in) operating activities	**3,236**	**4,030**	**2,167**	**(159)**	**700**
Cash flows from investing activities					
Interest received	15	9	15	-	2
Loan to joint ventures	4	-	-	-	-
Loan to third parties	(75)	(3)	-	-	-
Proceeds from the sale of non-current assets	57	28	50	30	23
Net proceeds from sale of subsidiaries	-	-	845	626	57
Deposit received from sale of asset held for sale	-	83	-	-	-
Purchase of non-current assets	(409)	(302)	(200)	(91)	(87)
Purchase of brands and operations	(17)	(146)	-	-	-
Purchase of subsidiaries, net of cash required	-	-	-	-	(13)
Net cash generated from/(used in) investing activities	**(425)**	**(331)**	**710**	**565**	**(18)**
Cash flows from financing activities					
Interest paid	(488)	(429)	(415)	(255)	(244)
Cash from employees on maturity/exercise of share schemes	1	-	-	-	-
Lease liabilities paid	-	(72)	(69)	(38)	(34)
Increase in borrowings	3,699	1,240	858	856	891
Repayment of borrowings	(2,330)	(3,096)	(2,224)	(899)	(1,004)
Cash flows relating to derivative financial instruments	(117)	(23)	41	14	40
Repurchase of shares/purchase of shares by employee share ownership trusts	(108)	(92)	-	-	(1)
Dividends paid to non-controlling interests	(84)	(85)	(93)	(63)	(58)
Dividends paid to owners of the parent	(1,844)	(1,753)	(1,305)	(906)	(917)
Net cash used in financing activities	**(1,271)**	**(4,310)**	**(3,207)**	**(1,291)**	**(1,327)**
Net increase/(decrease) in cash and cash equivalents	**1,540**	**(611)**	**(330)**	**(885)**	**(645)**
Cash and cash equivalents at start of the period	**775**	**2,286**	**1,626**	**1,626**	**1,287**
Effect of foreign exchange rates on cash and cash equivalents	(15)	13	(9)	24	(12)
Transferred to held for disposal	(14)	(62)	-	-	(42)
Cash and cash equivalents at end of the period	**2,286**	**1,626**	**1,287**	**765**	**588**

Notes:

(1) Represents the Group's consolidated cash flow statement information for the year ended 30 September 2019 as reported in the 2019 Financial Statements and the 2020 Financial Statements.

(2) Represents the Group's consolidated cash flow statement information for the year ended 30 September 2020 as reported in the 2020 Financial Statements and the 2021 Financial Statements.

(3) Represents the Group's consolidated cash flow statement information for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

Key Performance Indicators and Other Operating Metrics

During the periods under review, the Group tracked a number of key performance indicators and other operating metrics in managing its business. These key performance indicators and other operating metrics include Non-IFRS Financial Measures. Accordingly, they should be viewed as supplemental to, but not as a substitute for, measures presented in the Consolidated Financial Statements prepared in accordance with IFRS. The Group believes that these key performance indicators and other operating metrics are useful indicators of the Group's performance. However, they may not be comparable to similarly titled measures reported by other companies due to differences in the way they are calculated and presented. See also "*Presentation of Financial, Market and Other Information—Non-IFRS Measures*" and "*Presentation of Financial, Market and Other Information—Non-Financial Operating Metrics*".

For the three years ended 30 September 2019, 2020 and 2021 and for the six months ended 31 March 2021 and 2022, the Group reported its key performance indicators and other operating metrics as follows:

	As at and for the year ended 30 September			As at and for the six months ended 31 March	
	2019[1]	**2020[2]**	**2021**	**2021[3]**	**2022**
	(*in £ million, unless otherwise indicated*)				
Group					
Tobacco volume (*in billion stick equivalents*)	244.2	238.8	231.9	110.7	109.9
Adjusted operating profit[4]	3,739	3,527	3,573	1,589	1,600
Organic adjusted operating profit[5]	N/A	3,496	3,570	1,586	N/A
Adjusted EBITDA[6]	N/A	3,838	3,842	1,750	1,725
Adjusted net debt[7]	(11,376)	(10,299)	(8,615)	(10,328)	(9,157)
Adjusted net debt/adjusted EBITDA[8]	2.9x	2.7x	2.2x	2.6x	2.4x
Cash conversion rate (*per cent*)[9]	95	127	83	16	59
Tobacco & NGP					
Revenue	23,418	23,973	23,863	11,244	11,044
Net revenue[10]	7,991	7,985	7,610	3,592	3,495
Organic net revenue[11]	N/A	7,738	7,589	3,571	N/A
Operating profit	2,074	2,587	2,991	1,560	1,124
Adjusted operating profit[12]	3,521	3,288	3,308	1,465	1,481
Organic adjusted operating profit[13]	N/A	3,257	3,305	1,462	N/A
Europe					
Tobacco volume (*in billion stick equivalents*)	134.9	130.1	126.7	60.0	57.8
Net revenue	3,633	3,569	3,551	1,670	1,569
Adjusted operating profit	1,694	1,582	1,670	750	671
Americas					
Tobacco volume (*in billion stick equivalents*)	22.0	21.3	21.5	9.4	9.7
Net revenue	2,469	2,480	2,534	1,131	1,160
Adjusted operating profit	1,064	1,032	1,037	426	453
Africa, Asia and Australasia[14]					
Tobacco volume (*in billion stick equivalents*)	87.3	87.4	83.7	41.3	42.4
Net revenue	1,889	1,689	1,504	770	766
Adjusted operating profit	763	643	598	286	357

	As at and for the year ended 30 September			As at and for the six months ended 31 March	
	2019[1]	2020[2]	2021	2021[3]	2022
	(*in £ million, unless otherwise indicated*)				
Distribution					
Revenue	8,969	9,268	9,589	4,654	4,639
Net revenue[15]	1,015	1,015	1,069	533	502
Operating profit	137	131	148	74	79
Adjusted operating profit[16]	232	226	258	121	121

Notes:

(1) Represents the Group's key performance indicators and other operating metrics for the year ended 30 September 2019 as reported in the 2020 Financial Statements.

(2) Represents the Group's key performance indicators and other operating metrics for the year ended 30 September 2020 as reported in the 2021 Financial Statements.

(3) Represents the Group's key performance indicators and other operating metrics for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

(4) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of adjusted operating profit. The following table provides a reconciliation of the Group's operating profit to adjusted operating profit for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
	(*in £ million*)				
Operating profit	**2,197**	**2,731**	**3,146**	**1,637**	**1,201**
Russian and associated markets exit	-	-	-	-	201
Acquisition and disposal costs	22	26	17	-	5
Amortisation and impairment of acquired intangibles	1,118	523	450	211	182
Excise tax provision	139	(20)	(1)	(1)	(10)
Fair value adjustment of loan receivable	(3)	62	(15)	(17)	(2)
(Profit)/loss on disposal of subsidiaries	-	-	(281)	(281)	16
Sale of intellectual property income	(7)	-	-	-	-
Fair value adjustment of acquisition consideration	129	-	-	-	-
Restructuring costs	144	205	257	40	7
Adjusted operating profit	**3,739**	**3,527**	**3,573**	**1,589**	**1,600**

(5) Represents the Group's adjusted operating profit presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the year ended 30 September 2021, the year ended 30 September 2020 and the six months ended 31 March 2021. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*" and "*Presentation of Financial, Market and Other Information—Non-IFRS Measures*". The following table provides a reconciliation of the Group's adjusted operating profit to organic adjusted operating profit for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
	(*in £ million*)				
Adjusted operating profit	**3,739**	**3,527**	**3,573**	**1,589**	**1,600**
Premium Cigars divestment adjusted operating profit	N/A	(31)	(3)	(3)	N/A
Organic adjusted operating profit	**N/A**	**3,496**	**3,570**	**1,586**	**N/A**

(6) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of adjusted EBITDA. The following table provides a reconciliation of the Group's adjusted operating profit to adjusted EBITDA for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(***in £ million***)		
Adjusted operating profit	**3,739**	**3,527**	**3,573**	**1,589**	**1,600**
Depreciation, amortisation and impairments	N/A	311	269	161	125
Adjusted EBITDA	**N/A**	**3,838**	**3,842**	**1,750**	**1,725**

(7) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of adjusted net debt. The following table provides a reconciliation of the Group's reported net debt to adjusted net debt for the periods indicated:

	As at 30 September			As at 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(***in £ million***)		
Reported net debt	**(11,970)**	**(11,141)**	**(9,373)**	**(11,003)**	**(9,757)**
Accrued interest	162	156	140	81	68
Lease liabilities	-	299	251	269	241
Fair value of interest rate derivatives	432	387	367	325	291
Adjusted net debt	**(11,376)**	**(10,299)**	**(8,615)**	**(10,328)**	**(9,157)**

(8) Represents adjusted closing net debt divided by adjusted EBITDA presented on a twelve-month basis. See also "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" and "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Information for the twelve months ended 31 March 2022*".

(9) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of cash conversion rate. The following table provides a reconciliation of the Group's net cash generated from/(used in) operating activities to cash conversion rate for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(***in £ million, unless otherwise indicated***)		
Net cash generated from/(used in) operating activities	**3,236**	**4,030**	**2,167**	**(159)**	**700**
Tax	522	568	820	431	273
Net capital expenditure	(352)	(274)	(150)	(61)	(64)
Restructuring spend	146	145	112	46	42
Adjusted operating cash flow	**3,552**	**4,469**	**2,949**	**257**	**951**
Adjusted operating profit	3,739	3,527	3,573	1,589	1,600
Cash conversion rate (*per cent*)	**95**	**127**	**83**	**16**	**59**

(10) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of Tobacco & NGP net revenue. The following table provides a reconciliation of the Group's Tobacco & NGP revenue to Tobacco & NGP net revenue for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(***in £ million***)		
Tobacco & NGP Revenue	**23,418**	**23,973**	**23,863**	**11,244**	**11,044**
Duty and similar items	(15,394)	(15,962)	(16,229)	(7,640)	(7,539)

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
			(*in £ million*)		
Sale of peripheral products	(26)	(26)	(24)	(12)	(10)
Sale of intellectual property income	(7)	-	-	-	-
Net revenue	**7,991**	**7,985**	**7,610**	**3,592**	**3,495**

(11) Represents the Group's Tobacco & NGP net revenue presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the year ended 30 September 2021, the year ended 30 September 2020 and the six months ended 31 March 2021. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*". The following table provides a reconciliation of the Group's Tobacco & NGP net revenue to Tobacco & NGP organic net revenue for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
			(*in £ million*)		
Tobacco & NGP					
Net revenue	**7,991**	**7,985**	**7,610**	**3,592**	**3,495**
Premium Cigars divestment net revenue	N/A	(247)	(21)	(21)	N/A
Organic net revenue	**N/A**	**7,738**	**7,589**	**3,571**	**N/A**

(12) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of adjusted operating profit. The following table provides a reconciliation of the Group's Tobacco & NGP operating profit to Tobacco & NGP adjusted operating profit for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
			(*in £ million*)		
Tobacco & NGP					
Operating profit	**2,074**	**2,587**	**2,991**	**1,560**	**1,124**
Russian and associated markets exit	-	-	-	-	201
Acquisition and disposal costs	22	26	-	-	5
(Profit)/loss on disposal of subsidiaries	-	-	(281)	(281)	-
Amortisation of acquired intangibles	1,033	438	365	168	156
Excise tax provision	139	(20)	(1)	(1)	(10)
Fair value adjustment of loan receivable	(3)	62	(15)	(17)	(2)
Fair value adjustment of acquisition consideration	129	-	-	-	-
Sale of intellectual property income	(7)	-	-	-	-
Restructuring costs	134	195	249	36	7
Adjusted operating profit	**3,521**	**3,288**	**3,308**	**1,465**	**1,481**

(13) Represents the Group's Tobacco & NGP adjusted operating profit presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the year ended 30 September 2021, the year ended 30 September 2020 and the six months ended 31 March 2021. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*". The following table provides a reconciliation of the Group's Tobacco & NGP adjusted operating profit to Tobacco & NGP organic adjusted operating profit for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
			(*in £ million*)		
Tobacco & NGP					
Adjusted operating profit	**3,521**	**3,288**	**3,308**	**1,465**	**1,481**

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
			(*in £ million*)		
Premium Cigars divestment adjusted operating profit.	N/A	(31)	(3)	(3)	N/A
Organic adjusted operating profit	**N/A**	**3,257**	**3,305**	**1,462**	**N/A**

(14) Tobacco volume, net revenue and adjusted operating profit from the Group's AAA segment for the year ended 30 September 2021, the year ended 30 September 2020 and the six months ended 31 March 2021 are presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above periods. Premium Cigars contributed: (i) £247 million to net revenue and £31 million to adjusted operating profit in the year ended 30 September 2020 and (ii) £21 million to net revenue and £3 million to adjusted operating profit in the year ended 30 September 2021 and the six months ended 31 March 2021. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*".

(15) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of Distribution net revenue. The following table provides a reconciliation of the Group's Distribution revenue to Distribution net revenue for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
			(*in £ million*)		
Distribution					
Revenue	**8,969**	**9,268**	**9,589**	**4,654**	**4,639**
Cost of sales	(7,954)	(8,253)	(8,520)	(4,121)	(4,137)
Net revenue	**1,015**	**1,015**	**1,069**	**533**	**502**

(16) See "*Presentation of Financial, Market and Other Information—Non-IFRS Financial Measures*" for a definition of adjusted operating profit. The following table provides a reconciliation of the Group's Distribution operating profit to Distribution adjusted operating profit for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019	2020	2021	2021	2022
			(*in £ million*)		
Distribution					
Operating profit	**137**	**131**	**148**	**74**	**79**
Profit/(loss) on disposal of subsidiaries	-	-	-	-	16
Acquisition and disposal costs	-	-	17	-	-
Amortisation of acquired intangibles	85	85	85	43	26
Restructuring costs	10	10	8	4	-
Adjusted operating profit	**232**	**226**	**258**	**121**	**121**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the sections entitled "Presentation of Financial, Market and Other Information", "Risk Factors", "Capitalisation" and "Selected Consolidated Financial Information", as well as the Consolidated Financial Statements, including the notes thereto, incorporated by reference in this Offering Memorandum.

The following discussion includes forward-looking statements that involve risks and uncertainties, which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of certain of those risks and uncertainties, see the sections entitled "Forward-Looking Statements" and "Risk Factors".

The financial information presented below has been derived from the Consolidated Financial Statements. Except as otherwise indicated herein, the financial information presented below: (i) as at and for the year ended 30 September 2019 has been derived from the 2020 Financial Statements, (ii) as at and for the years ended 30 September 2020 and 2021 has been derived from the 2021 Financial Statements, and (iii) as at and for the six months ended 31 March 2021 and 2022 has been derived from the 2022 Interim Financial Statements.

Overview

Imperial Brands, a FTSE 100 company headquartered in Bristol, UK, is the parent company of an international business specialising in tobacco and NGP brands. The Group is committed to finding a long-term solution for harm reduction, operating responsibly and minimizing its impact on the planet, while recognizing the Group's role to provide genuine choices to its consumers in how their experiences are delivered.

The Group's core business is built around a tobacco portfolio of approximately 160 brands that offers a comprehensive range of cigarettes, fine cut tobacco, papers and mass-market cigars as well as NGP and snus products. Through its subsidiaries, the Group sells its tobacco brands in approximately 120 markets across the globe. As at 30 September 2021, the Group employed 30,300 employees and had a network of 31 manufacturing sites worldwide.

The Group comprises two distinct businesses: Tobacco & NGP and Distribution. For Tobacco & NGP, the Group reports its results in three separate geographic segments: Europe, Americas and Africa, Asia and Australasia. Accordingly, the Group's reportable segments are: (a) Europe, (b) Americas, (c) Africa, Asia and Australasia and (d) Distribution:

- **Tobacco & NGP**:
  - **Europe**: The Group manufactures and sells a comprehensive range of tobacco and NGP in Europe, including cigarettes, fine cut tobacco, snus, vapour, oral nicotine and heated tobacco products and papers. The Group's primary European markets consist of Germany, the UK, Spain, France, Italy, Greece, Sweden, Norway, Belgium, the Netherlands, Ukraine and Poland. The Group's net revenue from sales of tobacco and NGP in its Europe segment was £3,551 million in the year ended 30 September 2021 and £1,569 million in the six months ended 31 March 2022, representing 46.7 per cent and 44.9 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period.
  - **Americas**: The Group's Americas business offers a broad portfolio of cigarette, vapour and mass-market cigar brands. The Group's primary American market is the US. The Group formed its current US business through the combination of its US-based operations with cigarette brands and assets acquired through the 2015 US Acquisition. The Group's net revenue from sales of tobacco and NGP in its Americas segment was £2,534 million in the year ended 30 September 2021 and £1,160 million in the six months ended 31 March 2022, representing 33.3 per cent and 33.2 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period.
  - **Africa, Asia and Australasia**: The Group's Africa, Asia and Australasia (**AAA**) business offers a broad portfolio of cigarettes, fine cut and smokeless tobaccos. The Group's primary AAA markets consist of Australia, Saudi Arabia, Taiwan, Algeria and Morocco. The Group's net revenue from

sales of tobacco and NGP in its AAA segment was £1,504 million (on an organic basis) in the year ended 30 September 2021 and £766 million in the six months ended 31 March 2022, representing 19.8 per cent (on an organic basis) and 21.9 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period.

- **Distribution**: The Group's Distribution business (comprising Logista) distributes tobacco and NGP products as well as non-tobacco and non-NGP products and services to a range of manufacturers, including the Group's Tobacco & NGP business. The Group's Distribution business is run on an operationally neutral basis and transactions between the Group's Tobacco & NGP business and its Distribution business are conducted on an arm's length basis. The Group's revenue from its Distribution business was £9,589 million in the year ended 30 September 2021 and £4,639 million in the six months ended 31 March 2022, representing 29.2 per cent and 30.2 per cent of the Group's total revenue for each respective period.

The Group's performance has been resilient despite the impact of the COVID-19 pandemic. The Group's operating profit for the six months ended 31 March 2022 was £1,201 million, compared to £1,637 million for the six months ended 31 March 2021, and £3,146 million, £2,731 million and £2,197 million for the years ended 30 September 2021, 2020 and 2019, respectively.

Key Factors Affecting Results of Operations

Changes in demand for the Group's tobacco products

The Group generates the majority of its revenue from the manufacture, distribution and sale of tobacco products, primarily cigarettes. Generally, reduction in consumer demand for tobacco products may result from health concerns arising from tobacco use, increasing government regulation, the diminishing social acceptance of smoking, frequent and substantial increases in the excise duty on legitimate tobacco products or a substantial increase in cost attributable to a change in the manner of excise duty collection, increases in the trade of illicit tobacco products and growth of the NGP category as a substitute for combustible tobacco. Although the prevalence of tobacco smoking has been declining globally, the global number of tobacco users has not been falling at the same rate, with more than 19 per cent of the world's adult population still choosing to smoke according to the Group's estimates. The Group's total tobacco volume (on a stick equivalent basis) was 109.9 billion in the six months ended 31 March 2022, compared to 110.7 billion in the six months ended 31 March 2021, and 231.9 billion, 238.8 billion and 244.2 billion in the years ended 30 September 2021, 2020 and 2019, respectively.

On 27 January 2021, Imperial Brands announced its new five-year strategy to transform the Group and create long-term value. As part of its strategic priorities, the Group is focusing its investment and resources around its five priority combustible markets: the US, Germany, the UK, Australia and Spain. Investment in operational levers, including sales execution activities and brand-building initiatives, led to growth of the Group's aggregate market share in those markets by 25 basis points in the six months ended 31 March 2022, with share gains in the US, the UK and Australia more than offsetting declines in Germany and Spain. Maintaining pricing discipline remains in the centre of the Group's focus. A decline of 1.5 per cent in the prices of its tobacco products in the Group's five priority combustible markets in the first quarter of the 2022 financial year was below historical levels due to price phasing, product mix in the Americas and changes in timing for the payment of excise duty in Australia. Prices of its tobacco products in the Group's five priority combustible markets during the second quarter increased by 3.8 per cent, primarily reflecting price increases in Germany and the UK, resulting in an overall increase of 1.2 per cent in the six months ended 31 March 2022. At the same time, the Group has reset its NGP strategy with a significantly different approach, informed by consumer insights and validation, while remaining focused on delivering a meaningful contribution to harm reduction through the offering of potentially reduced harm products to consumers. The Group is focusing its NGP investment in markets where the NGP category has already been established, and, in particular, on heated tobacco opportunities in Europe and opportunities in vapour in the US, the UK and France. Its oral nicotine business remains focused on the Group's existing markets in Europe. Investment in NGP is disciplined and based on detailed market testing. The Group is also committed to driving value from its broader market portfolio. See also "*Description of the Group and its Business—Strategy*".

The following table sets forth the Group's net revenue from tobacco and NGP in each of its Tobacco & NGP segments for the periods indicated:

	For the year ended 30 September			For the six months ended 31 March	
	2019[1]	2020[2]	2021	2021[3]	2022
	(*in £ million*)				
Europe					
Tobacco & NGP net revenue	3,633	3,569	3,551	1,670	1,569
Tobacco net revenue	3,505	3,471	3,425	1,615	1,492
NGP net revenue	128	98	126	55	77
Americas					
Tobacco & NGP net revenue	2,469	2,480	2,534	1,131	1,160
Tobacco net revenue	2,361	2,409	2,478	1,098	1,136
NGP net revenue	108	71	56	33	24
Africa, Asia and Australasia[4]					
Tobacco & NGP net revenue	1,889	1,689	1,504	770	766
Tobacco net revenue	1,847	1,657	1,498	763	766
NGP net revenue	42	32	6	7	-

Notes:

(1) Represents the Group's relevant results for the year ended 30 September 2019 as reported in the 2020 Financial Statements.

(2) Represents the Group's relevant results for the year ended 30 September 2020 as reported in the 2021 Financial Statements.

(3) Represents the Group's relevant results for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

(4) Net revenue from the Group's AAA segment for the year ended 30 September 2021, the year ended 30 September 2020 and for the six months ended 31 March 2021 is presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above periods. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*".

Cost optimisation programmes and 2021 Strategic Review Programme

The Group continues to focus on optimising its manufacturing footprint and reducing overheads to realise operational efficiencies. The Group has completed two cost optimisation programmes during the recent years and, in January 2021, announced a third programme as an output from the Group's strategic review.

Cost Optimisation Programme I (**COP I**) was first announced in 2013 and is now complete, with minor residual charges around the factory footprint activity. COP I cash spend for the year ended 30 September 2021 was £12 million, bringing the cumulative cash cost of the programme to £571 million as at September 2021. COP I has delivered annualised savings of approximately £305 million as at 30 September 2021.

Cost Optimisation Programme II (**COP II**), announced in 2018, is substantially complete, though a few activities scheduled for 2020 experienced delays due to the COVID-19 pandemic. COP II cash spend for the year ended 30 September 2021 was £41 million, bringing the cumulative cash cost of the programme to £548 million as at September 2021. COP II has delivered annualised savings of approximately £320 million as at 30 September 2021.

In January 2021, the Group announced its strategic review programme, including an associated and specific time bound restructuring programme to support its five-year strategic plan (the **2021 Strategic Review Programme**). The Group expects the majority of the associated restructuring costs to have been incurred by September 2022. Total restructuring costs in respect of the programme are expected to be in the range of £375–425 million. During the year ended 30 September 2021, the Group incurred total restructuring costs of £226 million related to the 2021 Strategic Review Programme, representing £153 million costs in respect of the programme itself and £73 million of impairments associated with NGP assets. 2021 Strategic Review Programme cash spend for the year ended 30 September 2021 was £48 million. The 2021 Strategic Review Programme is targeting to deliver annualised savings of approximately £100-150 million.

Excise duty and illicit trade

Tobacco products are subject to excise duty, and, in many of the markets in which the Group operates, including the US, the UK, Australia, Ireland and France, excise and other consumption taxes represent a substantial percentage of the retail price of the Group's tobacco products. See also "*Description of the Group and its Business—Regulatory Landscape*". Duty and similar items expressed as a percentage of the Group's Tobacco & NGP revenue was 68.3 per cent and 67.9 per cent in the six months ended 31 March 2022 and 2021, respectively, and 68.0 per cent, 66.6 per cent and 65.7 per cent in each of the years ended 30 September 2021, 2020 and 2019, respectively. Accordingly, duty and similar items represented a significant proportion of the Group's cost of sales for all of the periods under review. In addition, with respect to its offerings in the US, the Group is party to the MSA and the Mississippi, Minnesota and Texas State Settlement Agreements, under which it is required to make significant annual payments. These annual payments are required to be paid in perpetuity and are subject to adjustment for several factors, including inflation, domestic market share and unit volume and industry and individual company operating profits. See also "*Description of the Group and its Business—Litigation—Americas—US litigation environment and State Settlement Agreements*".

Increasing levels of excise duty negatively impact the affordability of, and therefore the demand for, the Group's products. Reduced affordability may impact consumer purchasing habits, driving consumers into illicit trade for smuggled or counterfeit tobacco. These effects tend to be greater in markets where consumers are under pressure from economic conditions and where the potential gains from this criminal activity are higher due to cross-border duty differentials. For example, due to relatively high duty rates payable in certain of the Group's Western European markets, historically, illicit trade has had a negative impact on the demand for the Group's products in its Europe segment. See also "*Risk Factors—Risks Relating to the Group— Pricing, excise or other product tax outcomes may fall outside Group assumptions and expectations and may have an adverse effect on the Group's results*" and "*Description of the Group and its Business—Illicit Trade*".

Regulation of tobacco products

The tobacco industry has been subject to extensive and increasing regulation of the sale, supply, consumption, advertising, packaging and display of tobacco products, which in turn has impacted consumer demand for the Group's products and accordingly its revenue during the periods under review. In addition, regulation of tobacco products has resulted in significant regulatory compliance costs for the Group, which has increased the Group's overall cost of sales during the periods under review. For a further discussion of the impact of regulation on the Group's business, see "*Risk Factors—Risks Relating to the Group—Failure to manage the impacts of increased product regulation and regulatory change has had, and may continue to have, an adverse effect on the demand for the Group's products and/or increase compliance costs*" and "*Description of the Group and its Business—Regulatory Landscape*".

Although the Group seeks to control the impact of regulatory, political and societal change on its operations by engaging with certain internal and external stakeholders (where possible), with the goal of effecting regulatory change that is proportionate and does not lead to excessive regulation, increasing regulation is likely to continue to negatively affect consumer demand and to result in both increased compliance costs for the Group and restrictions on its ability to market its products and to shape public perception against smoking.

Acquisitions, investments and disposals

On an ongoing basis, the Group regularly evaluates investment opportunities, including acquisitions, which are aligned to its key strategic objectives and consistent with its strategy of creating sustainable returns for shareholders. During the periods under review, the Group has completed a number of acquisitions and investments. On 17 June 2022, Logista announced the acquisition of a 60 per cent share in Transportes El Mosca, a Spanish company specialised in the transport and warehousing of goods as well as frozen or refrigerated transport, mainly for the food industry. Through this acquisition, Logista aims to expand its services portfolio, incorporating complementary capabilities in the transport of goods at controlled temperatures, strengthen its position in national and international transport for the food and pharmaceutical industries and take advantage of synergies through the combination of premium outbound and inbound traffic. The purchase price for the acquisition is expected to be up to €106 million and will be paid in cash. Closing of the transaction is expected to occur around September/October 2022, once the necessary authorisations and approvals have been received from

national authorities and the EU. The acquisition of the remaining 40 per cent share in Transportes El Mosca is expected to complete over the course of the next three years.

In September 2019, the Group completed its investment in Auxly Cannabis Group, Inc. (**Auxly**), a listed Canadian cannabis company. The Group has invested 123 million Canadian dollars by way of a debenture convertible into 19.9 per cent ownership of Auxly at a conversion price of US$0.81 per share. Repayment of the debenture is due on 25 September 2024.

In addition, the Group regularly evaluates its corporate portfolio and seeks to divest assets and business that do not align with its strategy. In April 2020, the Group announced the disposal of Premium Cigars, with the total cash receipts expected from the transaction amounting to €1,198 million. The share sale element of the disposal completed on 29 October 2020, and €1,041 million of consideration was received by the Group during the year ended 30 September 2021. A further €88 million of deferred consideration relating to the share sale was received on 26 October 2021. The sale of the La Romana factory in the Dominican Republic is due to complete during the year ending 30 September 2022, when it is expected that a further €69 million of sales consideration will be received subject to a true up in respect of inventory values.

On 20 April 2022, in response to the Russian invasion of Ukraine and amid a highly challenging environment in Russia as a result of international sanctions and consequential severe disruption, the Group announced that it had agreed the transfer of its Russian operations, including a sales and marketing business and its Volgograd factory, as a going concern to a local third party. On 27 April 2022, following registration with the Russian tax authority, the Group completed the transfer for a total consideration of approximately £20 million. In the six months ended 31 March 2022, the Group's Russian operations represented 6 per cent of the Group's tobacco volume, 1.6 per cent of the Group's net revenue and 0.5 per cent of the Group's adjusted operating profit.

Foreign currency exchange rate fluctuations

The Group is exposed to movements in foreign currency exchange rates for transactions in foreign currencies, together with the translation of the accounts of its subsidiaries with overseas operations into the consolidated accounts of the Group. The Group's principal foreign currency exposures are to the euro and the US dollar, although, due to its global operations, the Group is also exposed to foreign currency exchange rate movements in relation to certain other foreign currencies, including the Australian dollar and the Polish zloty. Given the potential volatility of the impact of such foreign currency exchange rate movements on its financial results, the Group presents certain supplementary financial information on a constant currency basis to exclude the effects of foreign currency exchange rate movements on its results of operations.

The following table sets forth the constant currency analysis of certain of the Group's IFRS financial information and Non-IFRS Financial Measures for the six months ended 31 March 2021 and 2020:

	Six months ended 31 March 2021[(1)]	**Foreign exchange**	**Constant currency movement**	**Six months ended 31 March 2022**	**Change**	**Constant currency change**
			(*in £ million, unless otherwise indicated*)			
Tobacco & NGP net revenue						
Europe	1,670	(63)	(38)	1,569	-6.1%	-2.2%
Americas	1,131	3	26	1,160	+2.6%	+2.2%
Africa, Asia and Australasia	770	(28)	24	766	-0.6%	+3.1%
Total Group	**3,571**	**(88)**	**12**	**3,495**	**-2.1%**	**+0.3%**
Tobacco & NGP adjusted operating profit						
Europe	750	(24)	(55)	671	-10.6%	-7.3%
Americas	426	1	26	453	+6.4%	+6.0%
Africa, Asia and Australasia	286	(3)	74	357	+25.0%	+25.8%
Total Group	**1,462**	**(26)**	**45**	**1,481**	**+1.3%**	**+3.1%**
Distribution						
Net revenue	533	(28)	(3)	502	-5.8%	-0.6%
Adjusted operating profit including eliminations	124	(6)	1	119	-4.0%	+1.0%
Group adjusted results						

Adjusted operating profit	1,586	(32)	46	1,600	+0.9%	+2.9%
Adjusted net finance costs	(206)	1	40	(165)	+19.8%	+19.3%
Adjusted earnings per share (*in £ pence*)	107.0	(2.2)	8.2	113.0	+5.6%	+7.7%

Note:

(1) Represents certain of the Group's IFRS financial information and Non-IFRS Financial Measures for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements, excluding the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above period.

The following table sets forth the constant currency analysis of certain of the Group's IFRS financial information and Non-IFRS Financial Measures for the years ended 30 September 2020 and 2021:

	Year ended 30 September 2020	**Foreign exchange**	**Constant currency movement**	**Year ended 30 September 2021**	**Change**	**Organic constant currency change**
			(***in £ million, unless otherwise indicated***)			
Organic Tobacco & NGP net revenue						
Europe	3,569	(27)	9	3,551	-0.5%	+0.2%
Americas	2,480	(184)	238	2,534	+2.2%	+9.6%
Africa, Asia and Australasia	1,689	(47)	(138)	1,504	-11.0%	-8.2%
Total Group	**7,738**	**(258)**	**109**	**7,589**	**-1.9%**	**+1.4%**
Organic Tobacco & NGP adjusted operating profit						
Europe	1,582	(1)	89	1,670	+5.6%	+5.6%
Americas	1,032	(78)	83	1,037	+0.4%	+8.0%
Africa, Asia and Australasia	643	(15)	(30)	598	-7.0%	-4.7%
Total Group	**3,257**	**(94)**	**142**	**3,305**	**+1.5%**	**+4.3%**
Distribution						
Net revenue	1,015	(5)	59	1,069	+5.3%	+5.8%
Adjusted operating profit including eliminations	239	-	26	265	+10.7%	+11.3%
Group organic adjusted results						
Organic adjusted operating profit	3,496	(94)	168	3,570	+2.1%	+4.8%
Adjusted net finance costs	(429)	(1)	13	(417)	+2.7%	+3.1%
Organic adjusted earnings per share (*in £ pence*)	247.2	(7.7)	7.0	246.5	-0.3%	+2.8%

The following table sets forth the constant currency analysis of certain of the Group's IFRS financial information and Non-IFRS Financial Measures for the years ended 30 September 2019 and 2020:

	Year ended 30 September 2019	**Foreign exchange**	**Constant currency movement**	**Year ended 30 September 2020[(1)]**	**Change**	**Constant currency change**
			(***in £ million, unless otherwise indicated***)			
Tobacco & NGP net revenue						
Europe	3,633	(35)	(29)	3,569	-1.8%	-0.8%
Americas	2,469	2	9	2,480	+0.4%	+0.4%
Africa, Asia and Australasia	1,889	(35)	82	1,936	+2.5%	+4.3%
Total Group	**7,991**	**(68)**	**62**	**7,985**	**-0.1%**	**+0.8%**
Tobacco & NGP adjusted operating profit						
Europe	1,694	(12)	(100)	1,582	-6.6%	-5.9%
Americas	1,064	4	(36)	1,032	-3.0%	-3.4%
Africa, Asia and Australasia	763	(23)	(66)	674	-11.7%	-8.7%
Total Group	**3,521**	**(31)**	**(202)**	**3,288**	**-6.6%**	**-5.7%**
Distribution						
Distribution fees	1,015	(7)	7	1,015	-	+0.7%
Adjusted operating profit	232	(2)	(4)	226	-2.6%	-1.9%
Group adjusted results						

	Year ended 30 September 2019	Foreign exchange	Constant currency movement	Year ended 30 September 2020[(1)]	Change	Constant currency change
			(*in £ million, unless otherwise indicated*)			
Adjusted operating profit	3,739	(33)	(179)	3,527	-5.7%	-4.8%
Adjusted net finance costs	(450)	2	19	(429)	+4.7%	+4.2%
Adjusted earnings per share (*in £ pence*)	272.3	(2.6)	(15.3)	254.4	-6.6%	-5.6%

Note:

(1) Represents certain of the Group's IFRS financial information and Non-IFRS Financial Measures for the year ended 30 September 2020 as reported in the 2020 Financial Statements, including the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above period.

For further discussion of the Group's constant currency results and the impact of foreign currency exchange rate movements on the Group's results of operations, see "—*Results of Operations*" below. For additional information about the Group's exposure to currency fluctuations, see "—*Quantitative and Qualitative Disclosures about Market Risk*" below.

Tobacco leaf price fluctuations

Tobacco leaf represents a material portion of the Group's manufacturing costs, accounting for approximately one third of those costs in each of the years ended 30 September 2021, 2020 and 2019. The Group is exposed to fluctuations in the price of tobacco leaf, which, similar to other agricultural products, tends to be cyclical. The Group seeks to offset these fluctuations and to reduce the Group's exposure to individual markets by sourcing tobacco leaf from a number of different countries and counterparties and by varying the levels of tobacco leaf held. The Group primarily sources its tobacco leaf from third-party suppliers, rather than growing tobacco leaf itself. By sourcing its requirements in this way, the Group aims to retain the flexibility to move to markets where it can maximise the value and cost advantages to the Group.

Impact of the COVID-19 pandemic

The COVID-19 pandemic has resulted in significant volatility in financial and commodities markets and global growth remains sensitive to further waves of infection and/or new variants. In the tobacco industry, lockdowns, travel restrictions and the benefit of fiscal stimulus measures in several jurisdictions have resulted in certain changes in consumer behaviours and buying patterns, including increased allocation of discretionary spend towards tobacco, increased sales in certain locations due to reduced travel and decreased levels of illicit trade in certain markets such as the UK. These positive drivers were partially offset by the negative consumption impacts of the COVID-19 pandemic, including the overall lower duty-free and travel retail volumes attributable to travel restrictions.

During the COVID-19 pandemic, the Group has implemented collective actions across its operations and managed to effectively mitigate the operational and financial impact of the pandemic on its business, demonstrating its resilience and ability to operate efficiently despite the ensuing uncertainty. Most of the Group's manufacturing sites and warehouse properties have remained open and operational, and no furloughs, pay cuts or redundancies were made as a result of the COVID-19 pandemic. In addition, Logista has continued to distribute products to customers across its footprint, with almost all its points of sale, products and services classified as essential by governments.

Nevertheless, during the year ended 30 September 2020, COVID-19 related restrictions in certain of the Group's facilities disrupted production capacity and affected manufacturing efficiencies, thus resulting in additional manufacturing costs. During the same year, the Group's tobacco profitability was also impacted by increased provisions for COVID-19 related risks, mainly with respect to stock and debtor positions, as the Group took a more cautious view in light of ongoing uncertainties. The impact of these COVID-19 related additional costs in the year ended 30 September 2020 amounted to £90 million. In addition, COVID-19 related restrictions reducing travel affected the Group's duty-free sales and sales in traditional holiday destinations in Southern Europe during the past two years. Both duty-free and travel retail sales had started to recover in the six months ended 31 March 2022 as cross-border travel resumes.

During the COVID-19 pandemic, the Group's priority has remained the safety and welfare of its employees. The Group has maintained its engagement with employees in order to identify any new or emerging concerns. For a description of the Group's actions to ensure the wellbeing of its employees during the pandemic, see "*Description of the Group and its Business—Employees*".

Principal Income Statement Items

Revenue

For the Group's Tobacco & NGP business, revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts. Revenue is based on the completion of performance obligations that constitute the delivery of goods. The performance obligation is recognised as complete at the point in time when a Group company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Performance obligations associated with services are linked to the delivery of those services. Income arising from the licensing of intellectual property occurring in the ordinary course of business is also treated as revenue. Licensing revenue will be recognised over the period of the licence.

Tobacco price/mix is a term used in the tobacco industry by tobacco manufacturers and investors to explain the movement in revenue between periods. Revenue is affected by the volume (how many sticks are sold) and the value (how much each stick is sold for). Tobacco price/mix is used to explain the value component of the sales as each stick is sold for a value (price), but may also achieve a movement in revenue due to the relative proportions of higher value volume sold compared to lower value volume sold (mix).

For the Group's Distribution business, revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts when goods have been delivered or services provided. The Distribution business only recognises commission revenue on purchase and sale transactions in which it acts as a commission agent. Distribution and marketing commissions are included in revenue. Revenue is recognised on products on consignment when these are sold by the consignee.

Payments are made to both direct and indirect customers for rebates, discounts and other promotional activities. Direct customers are those to which the Group supplies goods or services. Indirect customers are other entities within the supply chain to the end consumer. Rebates and discounts are deducted from revenue. Payments for promotional activities will also be deducted from revenue where the payments relate to goods or services that are closely related to or indistinct from associated sales of goods or services to that customer. The calculated costs are accrued and accounted for as incurred and matched as a deduction from the associated revenues (i.e., excluded from revenue reported in the Group's consolidated income statement).

Duty and similar items

Duty and similar items consist of duty and levies having the characteristics of duty. In countries where duty is a production tax, duty is included in revenue and in cost of sales in the consolidated income statement. Where it is regarded as a sales tax, duty is excluded from revenue.

Other cost of sales

Other cost of sales comprise the Group's direct costs of manufacturing and the cost of goods purchased for resale and include the cost of raw materials such as tobacco leaf, filters and other packaging materials and the freight costs of transporting these materials. Payments made in the US under the State Settlement Agreements to which the Group is a party are also included in other cost of sales.

Distribution, advertising and selling costs

Distribution, advertising and selling costs include freight costs for transporting the Group's products (including fees paid to the Group's Distribution business for transport of Tobacco & NGP business products), marketing spend and external transportation and distribution costs. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term in cost of sales or distribution, advertising and selling costs in line with IFRS 16 "Leases".

Administrative and other expenses

Administrative and other expenses comprise the costs incurred by administering the Group's business and related expenses, including amortisation and impairment of acquired intangibles, restructuring costs, central

support functions and other expenses. Amortisation and impairment of acquired intangibles comprises amortisation and impairment of intangible assets including goodwill associated with acquisitions, software and internally generated intangibles. Restructuring costs include significant non-recurring costs incurred in connection with the Group's cost optimisation programmes and 2021 Strategic Review Programme and include the costs of factory closures and the implementation of a standardised operating model. Other expenses include wages and salaries payable to employees, social security costs, pensions and other retirement benefit costs and share-based payments, as well as head office administration and other expenses not separately disclosed on the Group's consolidated income statement.

Operating profit

Operating profit represents gross profit for the relevant period less distribution, advertising and selling costs and administrative and other expenses. Adjusted operating profit represents operating profit adjusted to exclude amortisation and impairment of acquired intangibles, fair value adjustments of acquisition consideration and restructuring costs and certain other one-off costs.

Net finance income/(costs)

Net finance income/(costs) represents investment income less finance costs. Investment income comprises income from interest on bank deposits, interest income on net defined benefit assets and fair value gains on derivative financial instruments. Finance costs comprise the charges (accrued or paid) associated with the Group's bank loans, capital markets indebtedness and derivative financial instruments. Finance costs also include amortisation of any fees associated with raising of financing that have been capitalised and spread over the life of the facility. Finance costs are recognised using the effective interest method. Adjusted net finance costs exclude the movements in the fair value of financial instruments which are marked to market and not naturally offset and all post-employment benefit net finance costs. See Note 6 to the 2021 Financial Statements and Note 5 to the 2022 Interim Financial Statements.

Tax

Tax comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable or receivable in respect of previous periods. The Group's effective tax rate benefits from internal financing arrangements between Group subsidiaries in different countries, which are subject to differing tax rates and legislation, and the application of double taxation treaties. Deferred tax is recognised in full in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Critical Accounting Estimates

The Group's principal accounting policies are set out in its Annual Financial Statements and comply with IFRS. The Group believes its most critical accounting estimates include those relating to the determination of useful economic life of intangible assets, the amortisation and impairment of intangible assets, income taxes, legal proceedings and disputes, provision accounting, the control of Logista and the categorisation of the Group's Russian business assets as assets and liabilities held for sale. The application of these accounting estimates involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. For more information on the Group's critical accounting estimates and judgments, see Note 2 to the 2021 Financial Statements and the 2022 Interim Financial Statements.

Dividend Policy

In the context of its new strategy, on 27 January 2021, Imperial Brands set out its capital allocation priorities within a clear capital allocation framework, which is expected to support continued investment in business growth, funded by a strong and efficient balance sheet, and increasing returns to shareholders. The framework is based on the Group's continued high margins and strong cash generation and the importance of growing dividends for shareholders, while providing greater flexibility in capital allocation. The Group's dividend policy is progressive, with dividend set to grow annually, taking into account underlying business performance. In line with the Group's progressive dividend policy, on 15 November 2021, the Board decided to increase by 1 per cent the final dividend per share (in £ pence) that was paid for the year ended 30 September 2021. On 16 May 2022, the Board approved

an increase of the interim dividend per share (in £ pence) of a further 1 per cent for the six months ended 31 March 2022. Dividends are normally paid quarterly, at the end of March, June, September and December of each year.

Under its capital allocation framework, the Group has outlined the opportunity to return surplus cash to its shareholders once its other priorities have been met, through share buybacks and/or special dividends. At its Annual General Meeting on 2 February 2022, Imperial Brands renewed its shareholder authorisation for the buyback of up to 94,600,000 shares. As at the date of this Offering Memorandum, the Board has not approved the purchase of any shares under this authorisation. The Board keeps its capital allocation approach under regular review, and, in line with the Group's disciplined approach regarding surplus capital returns to shareholders, any potential purchase will be subject to the Group meeting its target leverage by that time.

Results of Operations

Six months ended 31 March 2022 compared to six months ended 31 March 2021

The following table sets forth the Group's unaudited consolidated results of operations for the six months ended 31 March 2021 and 2022:

	For the six months ended 31 March	
	2021[(1)]	**2022**
	(in £ million, unless otherwise indicated)	
Revenue	**15,568**	**15,362**
Duty and similar items	(7,640)	(7,539)
Other cost of sales	(5,068)	(5,087)
Cost of sales	**(12,708)**	**(12,626)**
Gross profit	**2,860**	**2,736**
Distribution, advertising and selling costs	(1,097)	(968)
Russian and associated markets exit	-	(201)
Acquisition and disposal costs	-	(5)
Profit/(loss) on disposal of subsidiaries	281	(16)
Amortisation and impairment of acquired intangibles	(211)	(182)
Excise tax provision	1	10
Fair value adjustment of loan receivable	17	2
Restructuring costs	(40)	(7)
Other expenses	(174)	(168)
Administrative and other expenses	(126)	(567)
Operating profit	**1,637**	**1,201**
Investment income	1,071	908
Finance costs	(657)	(833)
Net finance income/(costs)	**414**	**75**
Share of profit/(loss) of investments accounted for using the equity method	8	(20)
Profit before tax	**2,059**	**1,256**
Tax	(215)	(221)
Profit for the period	**1,844**	**1,035**

Note:

(1) Represents the Group's consolidated income statement information for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

Revenue

Revenue decreased by £206 million, or 1.3 per cent, to £15,362 million in the six months ended 31 March 2022 from £15,568 million in the six months ended 31 March 2021. The decrease was primarily attributable to foreign exchange fluctuations, tobacco volume declines in Europe as COVID-19 related restrictions began to unwind and low tobacco price/mix of 0.8 per cent due to price phasing, product mix in Americas and market mix in AAA. The decrease was partially offset by the Group's strong volume performance in the Americas and AAA regions and an 8.7 per cent increase in NGP net revenue compared to the six months ended 31 March 2021.

Duty and similar items

Duty and similar items decreased by £101 million, or 1.3 per cent, to £7,539 million in the six months ended 31 March 2022 from £7,640 million in the six months ended 31 March 2021. The decrease was primarily attributable to tobacco volume declines, in particular in jurisdictions, such as the UK and Germany, where excise duty is higher, and the lack of excise duty increases in certain markets, such as Australia and Germany.

Other cost of sales

Other cost of sales increased by £19 million, or 0.4 per cent, to £5,087 million in the six months ended 31 March 2022 from £5,068 million in the six months ended 31 March 2021. The increase was primarily attributable to increased payments made by the Group under the MSA during the six months ended 31 March 2022, inflationary pressures and low tobacco price/mix.

Distribution, advertising and selling costs

Distribution, advertising and selling costs decreased by £129 million, or 11.8 per cent, to £968 million in the six months ended 31 March 2022 from £1,097 million in the six months ended 31 March 2021. The decrease was primarily attributable to increased provisions for COVID-19 related risks, mainly with respect to stock and debtor positions, and NGP write-downs in the six months ended 31 March 2021 that were not repeated in the six months ended 31 March 2022.

Administrative and other expenses

Administrative and other expenses increased by £441 million to £567 million in the six months ended 31 March 2022 from £126 million in the six months ended 31 March 2021. The increase was primarily attributable to exit charges of £201 million related to the disposal of the Group's Russian business and the one-off benefit of £281 million related to the disposal of Premium Cigars in the six months ended 31 March 2021 that was not repeated in the six months ended 31 March 2022.

Operating profit

Operating profit decreased by £436 million, or 26.6 per cent, to £1,201 million in the six months ended 31 March 2022 from £1,637 million in the six months ended 31 March 2021. The decrease was primarily attributable to exit charges of £201 million related to the disposal of the Group's Russian business and the non-recurrence of gains of £281 million on disposal of Premium Cigars realised in the six months ended 31 March 2021. Adjusted operating profit increased by £11 million, or 0.7 per cent (2.9 per cent on a constant currency basis), to £1,600 million in the six months ended 31 March 2022 from £1,589 million in the six months ended 31 March 2021. The increase was primarily attributable to reduced NGP adjusted operating loss following the Group's reprioritisation of its NGP investment strategy and exit from loss-making markets.

Net finance income/(costs)

Net finance income decreased by £339 million, or 81.9 per cent, to £75 million in the six months ended 31 March 2022 from £414 million in the six months ended 31 March 2021. The decrease was primarily attributable to lower net fair value and foreign exchange gains realised on financial instruments, the issuance in March 2021 of the €1,000,000,000 1.750% notes due 18 March 2033 and the bond prepayment completed in September 2021, partially offset by an increase in net finance income with respect to post-employment benefits.

Tax

Tax charge increased by £6 million, or 2.8 per cent, to £221 million in the six months ended 31 March 2022 from £215 million in the six months ended 31 March 2021. The increase was primarily attributable to the absence of tax relief arising on the impairment of the Group's disposed Russian assets and limited tax arising on the gain on the disposal of Premium Cigars. The Group's reported effective tax rate was 17.6 per cent in the six months ended 31 March 2022, compared to 10.4 per cent in the six months ended 31 March 2021.

Results by segment

Europe

	For the six months ended 31 March	
	2021	2022
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Europe		
Tobacco volume (*in billion stick equivalents*)	60.0	57.8
Net revenue	1,670	1,569
Adjusted operating profit	750	671

Tobacco volume (on a stick equivalent basis) in the Group's Europe segment decreased by 2.2 billion, or 3.6 per cent, to 57.8 billion in the six months ended 31 March 2022 from 60.0 billion in the six months ended 31 March 2021. The decrease was primarily attributable to tobacco volume declines in Northern European markets such as Germany and the UK, partially offset by the gradual recovery of the Group's duty-free and travel retail sales in holiday destinations in Southern Europe as cross-border travel resumes.

Net revenue from the Group's Europe segment decreased by £101 million, or 6.1 per cent (2.2 per cent on a constant currency basis), to £1,569 million in the six months ended 31 March 2022 from £1,670 million in the six months ended 31 March 2021. The decrease was primarily attributable to a decrease in tobacco net revenue as a result of negative tobacco price/mix of 0.2 per cent reflecting price phasing and adverse geographic mix as the COVID-19 related shifts in market and channel buying patterns began to unwind. The decrease was partially offset by increased NGP net revenue, reflecting the Group's strong performance across the heated tobacco, vapour and modern oral nicotine categories in its Europe region.

Adjusted operating profit from the Group's Europe segment decreased by £79 million, or 10.6 per cent (7.3 per cent on a constant currency basis), to £671 million in the six months ended 31 March 2022 from £750 million in the six months ended 31 March 2021. The decrease was primarily attributable to lower tobacco net revenue driven by price phasing and adverse geographic mix, as well as increased investment behind the Group's new strategy, partially offset by reduced losses from the Group's NGP business.

During the six months ended 31 March 2022, investment behind the Group's strategic initiatives in the UK, particularly the continued growth of local "jewel brand" *Embassy*, supported strong market share growth by 105 basis points in the country. In Germany, the Group's market share remained under pressure, falling by 80 basis points in the six months ended 31 March 2022, with the Group working to stabilise its market share after more than a decade of market share declines. To achieve this, the Group has increased investment behind the *JPS* and *West* brands, which, after some years of underinvestment, the Group will need time to rejuvenate, and is repositioning its sales force in the country behind new channels. The Group also repositioned heritage brands in its German portfolio to further enhance its consumer offering across price segments in both cigarettes and fine cut tobacco. In Spain, the Group managed to achieve price increases across key product lines, the first in several years, although this adversely impacted its market share performance at the beginning of the six months ended 31 March 2022, which had started to recover towards the end of the period. Overall, the Group's market share in Spain fell by 45 basis points in the six months ended 31 March 2022.

Americas

	For the six months ended 31 March	
	2021	2022
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Americas		
Tobacco volume (*in billion stick equivalents*)	9.4	9.7
Net revenue	1,131	1,160
Adjusted operating profit	426	453

Tobacco volume (on a stick equivalent basis) in the Group's Americas segment increased by 0.3 billion, or 3.9 per cent, to 9.7 billion in the six months ended 31 March 2022 from 9.4 billion in the six months ended 31 March 2021. The increase was primarily attributable to the improvement of the Group's US cigarette market share by 70 basis points to 9.8 per cent due to the Group's increased investment in sales execution and its US brands as well as its ability to benefit from KT&G's exit from the US market, and the increase in wholesaler customer inventories as wholesalers pulled forward orders ahead of anticipated price increases.

Net revenue from the Group's Americas segment increased by £29 million, or 2.6 per cent (2.2 per cent on a constant currency basis), to £1,160 million in the six months ended 31 March 2022 from £1,131 million in the six months ended 31 March 2021. The increase was primarily attributable to higher tobacco net revenue as a result of strong cigarette pricing, partially offset by an adverse product mix with strong growth in the deep discount cigarette segment and a decrease in NGP revenue reflecting continued competition and subsequent discounting in the NGP category.

Adjusted operating profit from the Group's Americas segment increased by £27 million, or 6.4 per cent (6.0 per cent on a constant currency basis), to £453 million in the six months ended 31 March 2022 from £426 million in the six months ended 31 March 2021. The increase was primarily attributable to market share gains, the benefit of trade inventory phasing and lower NGP costs. The non-repeat of the litigation settlement costs in Minnesota and Texas in the six months ended 31 March 2021 more than offset the increased investment to support the Group's strategic priorities, the inflation-indexed increase in MSA costs and higher leaf costs in mass-market cigars.

During the six months ended 31 March 2022, the Group continued to step up investment behind its new strategy to strengthen performance in its Americas region. In the premium segment, trials of a new pack design and a new marketing campaign for its *Winston* brand in Texas have delivered positive feedback and have now been rolled out nationally. A series of initiatives behind the Group's *Kool* brand are also underway. The Group has increased its sales force and is investing to improve its sales execution through adopting best practices such as route optimisation and improved information systems. The Group believes it is achieving improved traction with key accounts following the expansion of its key account team. Its mass-market cigar portfolio achieved further market share gains driven by strong performances by the *Backwoods* and *Dutch Leaf* brands.

Africa, Asia and Australasia

	For the six months ended 31 March	
	2021[(1)]	**2022**
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Africa, Asia and Australasia		
Tobacco volume (*in billion stick equivalents*)	41.3	42.4
Net revenue	770	766
Adjusted operating profit	286	357

Note:

(1) Tobacco volume, net revenue and adjusted operating profit from the Group's AAA segment for the six months ended 31 March 2021 are presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above period. Premium Cigars contributed £21 million to net revenue and £3 million to adjusted operating profit in the six months ended 31 March 2021. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*".

Tobacco volume (on a stick equivalent basis) in the Group's AAA segment increased by 1.1 billion, or 2.7 per cent, to 42.4 billion in the six months ended 31 March 2022 from 41.3 billion in the six months ended 31 March 2021. The increase was primarily attributable to the Group's strong volume performance in the Middle East as the region recovered from COVID-19 related disruptions and the normalisation in Australia shipment patterns, following the Australian government's decision to step away from the 12.5 per cent annual excise duty accelerator.

Net revenue from the Group's AAA segment decreased by £4 million, or 0.6 per cent (and increased by 3.1 per cent on a constant currency basis), to £766 million in the six months ended 31 March 2022 from £770 million in the six months ended 31 March 2021. The decrease was primarily attributable to nil NGP net revenue for the six months ended 31 March 2022 following the Group's strategic exit from the vapour and heated tobacco markets in Japan and the vapour market in Russia and last year's changes to the Australian excise duty regime, partially offset by improved tobacco volumes and price/mix of 1.5 per cent.

Adjusted operating profit from the Group's AAA segment increased by £71 million, or 25.0 per cent (25.8 per cent on a constant currency basis), to £357 million in the six months ended 31 March 2022 from £286 million in the six months ended 31 March 2021. The increase was primarily attributable to the Group's strong financial performance in Africa and the Middle East, as well as lower NGP investment in the AAA region compared to the six months ended 31 March 2021.

During the six months ended 31 March 2022, the Group improved its tobacco market share in Australia, the Group's priority combustible market in the AAA region, by 70 basis points as the Group focused investment behind sales execution and marketing in line with its new strategy. The Group launched its *Lambert & Butler* brand in the "fifth price tier" category, which enabled it to ensure it had a clear brand offering at each of the key price points. The Group's African portfolio of markets performed strongly with further market share gains in the region and continued growth in revenue and profit. In the Middle East, the Group's performance was strong as COVID-19 related travel restrictions were lifted in the region and customer buying patterns were normalised. In Asia, the Group delivered a solid financial performance driven primarily by Taiwan, where the Group's market share grew through its *Davidoff Absolute* and *West 25s* offerings. The Group's performance in Russia was negatively affected by its decision to initially suspend operations and then exit the market. On 27 April 2022, the Group completed the transfer of its Russian operations, including a sales and marketing business and its Volgograd factory, as a going concern to a local third party. See also "*Risk Factors—Risks Relating to the Group—The Group is exposed to the geopolitical and economic conditions of the countries and regions in which it operates, with a particular concentration in Western Europe and the US*".

Distribution

	For the six months ended 31 March	
	2021	2022
	(*in £ million, unless otherwise indicated*)	
Distribution		
Revenue	4,654	4,639
Net revenue	533	502
Operating profit	74	79
Adjusted operating profit	121	121

Net revenue from the Group's Distribution segment decreased by £31 million, or 5.8 per cent (0.6 per cent on a constant currency basis), to £502 million in the six months ended 31 March 2022 from £533 million in the six months ended 31 March 2021. The decrease was primarily attributable to weak performance by the Group's Distribution business in France and Italy, partially offset by its strong performance in Spain, Portugal and Poland.

Adjusted operating profit from the Group's Distribution segment remained stable at £121 million in the six months ended 31 March 2022 and the six months ended 31 March 2021 (and increased by 5.5 per cent on a constant currency basis), as the Group's focus on cost control and contracts allowing increased costs to be passed through mitigated inflationary pressures and enabled margin expansion.

While inflation has been exacerbated by the Russian invasion of Ukraine and transport union strikes have impacted economic growth in Spain, the Group's Distribution business was able to mitigate these pressures during the six months ended 31 March 2022. In Spain, Portugal and Poland, Distribution net revenue growth was driven by tobacco and related products, which benefited from an increase in pricing without an increase in excise tax, higher parcel delivery activity and improved parcel delivery efficiencies, as well as pharmaceutical distribution as the business expanded both its customer base and product offering. In Italy, Distribution net revenue was

weaker as the distribution of tobacco and related products cycled against a tough comparator period with higher stock profit. A reduction in tobacco volumes with no significant change in prices led to weaker Distribution net revenue in France. During the six months ended 31 March 2022, Logista announced the acquisition of a 70 per cent interest in Speedlink Worldwide Express B.V., a Dutch express courier company, for a consideration of up to €18.5 million based on certain targets, and disposed of Supergroup S.A.S., a subsidiary in France, that had already been classified as held for sale at the end of the year ended 30 September 2021.

Year ended 30 September 2021 compared to year ended 30 September 2020

The following table sets forth the Group's consolidated results of operations for the years ended 30 September 2020 and 2021:

	For the year ended 30 September	
	2020[(1)]	**2021**
	(*in £ million, unless otherwise indicated*)	
Revenue	**32,562**	**32,791**
Duty and similar items	(15,962)	(16,229)
Other cost of sales	(10,420)	(10,535)
Cost of sales	**(26,382)**	**(26,764)**
Gross profit	**6,180**	**6,027**
Distribution, advertising and selling costs	(2,329)	(2,118)
Acquisition and disposal costs	(26)	(17)
Profit/(loss) on disposal of subsidiaries	-	281
Amortisation and impairment of acquired intangibles	(523)	(450)
Excise tax provision	20	1
Fair value adjustment of loan receivable	(62)	15
Restructuring costs	(205)	(257)
Other expenses	(324)	(336)
Administrative and other expenses	(1,120)	(763)
Operating profit	**2,731**	**3,146**
Investment income	770	1,060
Finance costs	(1,380)	(979)
Net finance income/(costs)	**(610)**	**81**
Share of profit/(loss) of investments accounted for using the equity method	45	11
Profit before tax	**2,166**	**3,238**
Tax	(608)	(331)
Profit for the year	**1,558**	**2,907**

Note:

(1) Represents the Group's consolidated income statement information for the year ended 30 September 2020 as reported in the 2021 Financial Statements.

Revenue

Revenue increased by £229 million, or 0.7 per cent, to £32,791 million in the year ended 30 September 2021 from £32,562 million in the year ended 30 September 2020. The increase was primarily attributable to the Group's strong sales performance in the UK, Germany and the Nordics as well as its positive tobacco price/mix (excluding the impact of changes to the Australian excise duty regime) of 5.6 per cent resulting from significant growth in the US mass-market cigars market and the repatriation of volumes due to COVID-19 related travel restrictions. The increase was partially offset by foreign exchange fluctuations, an increase in duty and similar items and the overall tobacco market decline in duty-free and travel retail volumes due to travel restrictions related to the COVID-19 pandemic.

Duty and similar items

Duty and similar items increased by £267 million, or 1.7 per cent, to £16,229 million in the year ended 30 September 2021 from £15,962 million in the year ended 30 September 2020. The increase was primarily

attributable to changes to the Australian excise duty regime, which resulted in low overall tobacco price/mix for the year of 4.4 per cent.

Other cost of sales

Other cost of sales increased by £115 million, or 1.1 per cent, to £10,535 million in the year ended 30 September 2021 from £10,420 million in the year ended 30 September 2020. The increase was primarily attributable to the settlement payment made in the year ended 30 September 2021 with respect to the PSS Reduction litigation in the US and tobacco volume growth in certain jurisdictions, such as the UK and the US, where cost of sales is higher.

Distribution, advertising and selling costs

Distribution, advertising and selling costs decreased by £211 million, or 9.1 per cent, to £2,118 million in the year ended 30 September 2021 from £2,329 million in the year ended 30 September 2020. The decrease was primarily attributable to optimised NGP investments and lower provisions for COVID-19 related risks, mainly with respect to stock and debtor positions.

Administrative and other expenses

Administrative and other expenses decreased by £357 million, or 31.9 per cent, to £763 million in the year ended 30 September 2021 from £1,120 million in the year ended 30 September 2020. The decrease was primarily attributable to gains of £281 million generated from the disposal of Premium Cigars and a decrease in amortisation and impairment of acquired intangibles, partially offset by increased restructuring costs relating to the Group's 2021 Strategic Review Programme announced during the year ended 30 September 2021.

Operating profit

Operating profit increased by £415 million, or 15.2 per cent, to £3,146 million in the year ended 30 September 2021 from £2,731 million in the year ended 30 September 2020. The increase was primarily attributable to gains of £281 million generated from the disposal of Premium Cigars. Adjusted operating profit increased by £46 million, or 1.3 per cent (4.8 per cent on a constant currency basis), to £3,573 million in the year ended 30 September 2021 from £3,527 million in the year ended 30 September 2020. The increase was primarily attributable to reduced losses from NGP sales following the optimisation of the Group's NGP investment strategy and reduced NGP write-downs, which offset lower tobacco adjusted operating profit attributable to lower stock profit in Australia and a charge relating to US state litigation costs.

Net finance income/(costs)

Net finance income increased by £691 million, or 113.3 per cent, to £81 million in the year ended 30 September 2021 from net finance costs of £610 million in the year ended 30 September 2020. The increase was primarily attributable to lower net finance costs following the repayment of £2.3 billion equivalent bonds during the year ended 30 September 2021, realised net fair value and foreign exchange gains on financial instruments as well as net financing income with respect to post-employment benefits.

Tax

Tax charge decreased by £277 million, or 45.6 per cent, to £331 million in the year ended 30 September 2021 from £608 million in the year ended 30 September 2020. The decrease was primarily attributable to the recognition of certain tax credits following a corporate reorganisation in Spain. The Group's reported effective tax rate was 10.2 per cent in the year ended 30 September 2021, compared to 28.1 per cent in the year ended 30 September 2020.

Results by segment

Europe

	For the year ended 30 September	
	2020	**2021**
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Europe		
Tobacco volume (*in billion stick equivalents*)	130.1	126.7

Net revenue	3,569	3,551
Adjusted operating profit	1,582	1,670

Tobacco volume (on a stick equivalent basis) in the Group's Europe segment decreased by 3.4 billion, or 2.6 per cent, to 126.7 billion in the year ended 30 September 2021 from 130.1 billion in the year ended 30 September 2020. The decrease was primarily attributable to COVID-19 related restrictions reducing travel and affecting the Group's duty-free sales and sales in traditional holiday destinations in Southern Europe. The decrease was partially offset by relative market size improvements in the Northern European markets of the UK, Germany and Norway from consumers staying at home and a gradual recovery from the COVID-19 related travel restrictions in the second half of the year ended 30 September 2021.

Net revenue from the Group's Europe segment decreased by £18 million, or 0.5 per cent (representing an increase of 0.2 per cent on a constant currency basis), to £3,551 million in the year ended 30 September 2021 from £3,569 million in the year ended 30 September 2020. The decrease was primarily attributable to a tobacco price/mix increase of 2.0 per cent, which is lower than in recent years, as a result of temporary one-off benefits during the year ended 30 September 2020 related to VAT changes in Germany and UK anti-forestalling arrangements.

Adjusted operating profit from the Group's Europe segment increased by £88 million, or 5.6 per cent (5.6 per cent on a constant currency basis), to £1,670 million in the year ended 30 September 2021 from £1,582 million in the year ended 30 September 2020. The increase was primarily attributable to reduced losses from NGP sales following the optimisation of the Group's NGP investment strategy and lower regulatory related costs.

Despite the impact of COVID-19 related travel restrictions, during the year ended 30 September 2021, the Group's Europe business delivered gains of 10 basis points in regional market share, as a result of stronger market size trends in Northern Europe, market share growth in the UK and Spain and improved NGP performance. Combustible market share gains in the UK and Spain were driven by the Group's tobacco portfolio work and its new strategic focus on local "jewel brands", such as *Embassy* and *Nobel*. In Germany, investments in enhancing the effectiveness and coverage of the Group's sales force and distribution had driven an encouraging improvement in combustible market share trend, despite the overall decline of 50 basis points compared to the year ended 30 September 2020. The Group's *blu* market share in several markets such as the UK, France and Italy remained relatively stable. In heated tobacco, the Group remained on track with its pilot launches in the Czech Republic and Greece, which had received positive response from trade partners and consumers.

Americas

	For the year ended 30 September	
	2020	**2021**
	(***in £ million, unless otherwise indicated***)	
Tobacco & NGP		
Americas		
Tobacco volume (*in billion stick equivalents*)	21.3	21.5
Net revenue	2,480	2,534
Adjusted operating profit	1,032	1,037

Tobacco volume (on a stick equivalent basis) in the Group's Americas segment increased by 0.2 billion, or 1.1 per cent, to 21.5 billion in the year ended 30 September 2021 from 21.3 billion in the year ended 30 September 2020. The increase was primarily attributable to strong mass-market cigar growth through the Group's *Backwoods* and *Dutch Masters* brands, which more than offset the more moderate cigarette volume declines.

Net revenue from the Group's Americas segment increased by £54 million, or 2.2 per cent (9.6 per cent on a constant currency basis), to £2,534 million in the year ended 30 September 2021 from £2,480 million in the year ended 30 September 2020. The increase was primarily attributable to the Group's strong cigarette pricing and increased mass-market cigar sales, partially offset by lower NGP revenue reflecting continued competition and subsequent discounting in the NGP category.

Adjusted operating profit from the Group's Americas segment increased by £5 million, or 0.4 per cent (8.0 per cent on a constant currency basis), to £1,037 million in the year ended 30 September 2021 from £1,032 million in the year ended 30 September 2020. The increase was primarily attributable to the Group's strong growth in mass-market cigar sales, tobacco pricing and reduced NGP write-offs, partially offset by a £52 million charge for litigation settlement costs.

During the year ended 30 September 2021, in the US, its primary American market, the Group delivered a strong combustible tobacco performance. The Group increased investment behind its strategic priorities, including the recruitment and training of additional sales employees to enhance its coverage and distribution. The Group has also invested in brand initiatives for *Winston*, which it is trialling in Texas. The investment and additional focus on performance management delivered a third consecutive year of market share gains in the US cigarette market, up 20 basis points, to 9.1 per cent. Market share growth has been driven by *Sonoma* and *Crowns* in the deep discount segment, while the Group has maintained *Winston* and *Kool*'s market share of their sub-premium categories and managed the ongoing decline in its non-focus brands.

Africa, Asia and Australasia

	For the year ended 30 September	
	2020[(1)]	**2021[(1)]**
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Africa, Asia and Australasia		
Tobacco volume (*in billion stick equivalents*)	87.4	83.7
Net revenue	1,689	1,504
Adjusted operating profit	643	598

Note:

(1) Tobacco volume, net revenue and adjusted operating profit from the Group's AAA segment for the years ended 30 September 2020 and 2021 are presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above periods. Premium Cigars contributed: (i) £247 million to net revenue and £31 million to adjusted operating profit in the year ended 30 September 2020 and (ii) £21 million to net revenue and £3 million to adjusted operating profit in the year ended 30 September 2021. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*".

Organic tobacco volume (on a stick equivalent basis) in the Group's AAA segment decreased by 3.7 billion, or 4.2 per cent, to 83.7 billion in the year ended 30 September 2021 from 87.4 billion in the year ended 30 September 2020. The decrease was primarily attributable to volume declines in Turkey and Australia, partially offset by market-share driven volume gains in Morocco, the Côte d'Ivoire and Saudi Arabia.

Organic net revenue from the Group's AAA segment decreased by £185 million, or 11.0 per cent (8.2 per cent on a constant currency basis), to £1,504 million in the year ended 30 September 2021 from £1,689 million in the year ended 30 September 2020. The decrease was primarily attributable to the negative organic tobacco price/mix of 2.6 per cent, changes to the Australian excise duty regime and lower NGP revenue due to the Group's strategic exit from the vapour and heated tobacco markets in Japan and the vapour market in Russia.

Organic adjusted operating profit from the Group's AAA segment decreased by £45 million, or 7.0 per cent (4.7 per cent on a constant currency basis), to £598 million in the year ended 30 September 2021 from £643 million in the year ended 30 September 2020. The decrease was primarily attributable to changes to the Australian excise duty regime, which resulted in an overall impact on organic adjusted operating profit of £88 million.

The Group's Tobacco & NGP results in the AAA region were mainly affected by two events in the year ended 30 September 2021: the sale of Premium Cigars and changes to the Australian excise duty regime. Notwithstanding these impacts and the overall decrease in tobacco volumes, AAA reported a solid performance and supported a 30 basis point improvement in overall regional share. Share performance in Australia improved during the second half of the year in response to investment. *Gauloises* gained market share in Morocco by leveraging its international brand equity, while the Group's focus on local "jewel brands" delivered share gains in Burkina Faso and the Côte d'Ivoire. The Group's results in the Middle East were driven primarily by Saudi Arabia, where travel restrictions benefited the Group's domestic sales, driving a good performance of *Davidoff*

and *West* with strong demand for fresh seal formats. In Asia, the Group delivered a stable performance in Taiwan driven by share growth of the *Davidoff Absolute* range supported by its strong equity and by *West*, which has benefited from value seeking consumers.

Distribution

	For the year ended 30 September	
	2020	2021
	(*in £ million, unless otherwise indicated*)	
Distribution		
Revenue	9,268	9,589
Net revenue	1,015	1,069
Operating profit	131	148
Adjusted operating profit	226	258

Net revenue from the Group's Distribution segment increased by £54 million, or 5.3 per cent (5.8 per cent on a constant currency basis), to £1,069 million in the year ended 30 September 2021 from £1,015 million in the year ended 30 September 2020. The increase was primarily attributable to growth across all of the Group's Distribution markets and activities with the exception of tobacco distribution in France and Portugal.

Adjusted operating profit from the Group's Distribution segment increased by £32 million, or 14.2 per cent (14.8 per cent on a constant currency basis), to £258 million in the year ended 30 September 2021 from £226 million in the year ended 30 September 2020. The increase was primarily attributable to efficiency improvement initiatives, the benefit of inventory valuations following tax and price movements in tobacco products and the gradual recovery from the impact of the COVID-19 pandemic in the prior year.

Even during the period when the COVID-19 pandemic still restricted movement in many of the Group's end markets, Logista continued to distribute products to customers, with almost all its points of sale, products and services classified as essential by governments. As mentioned above, the Group recorded significant net revenue and adjusted operating profit from its Distribution business during the year ended 30 September 2021.

Year ended 30 September 2020 compared to year ended 30 September 2019

The following table sets forth the Group's consolidated results of operations for the years ended 30 September 2019 and 2020:

	For the year ended 30 September	
	2019[(1)]	2020[(2)]
	(*in £ million, unless otherwise indicated*)	
Revenue	**31,594**	**32,562**
Duty and similar items	(15,394)	(15,962)
Other cost of sales	(9,960)	(10,420)
Cost of sales	**(25,354)**	**(26,382)**
Gross profit	**6,240**	**6,180**
Distribution, advertising and selling costs	(2,295)	(2,329)
Acquisition and disposal costs	(22)	(26)
Amortisation and impairment of acquired intangibles	(1,118)	(523)
Excise tax provision	(139)	20
Fair value adjustment of loan receivable	3	(62)
Fair value adjustment of acquisition consideration	(129)	-
Restructuring costs	(144)	(205)
Other expenses	(199)	(324)
Administrative and other expenses	(1,748)	(1,120)
Operating profit	**2,197**	**2,731**
Investment income	890	770
Finance costs	(1,452)	(1,380)
Net finance income/(costs)	**(562)**	**(610)**

	For the year ended 30 September	
Share of profit/(loss) of investments accounted for using the equity method.....	55	45
Profit before tax.....	**1,690**	**2,166**
Tax	(609)	(608)
Profit for the year.....	**1,081**	**1,558**

Notes:

(1) Represents the Group's consolidated income statement information for the year ended 30 September 2019 as reported in the 2020 Financial Statements.

(2) Represents the Group's consolidated income statement information for the year ended 30 September 2020 as reported in the 2021 Financial Statements.

Revenue

Revenue increased by £968 million, or 3.1 per cent, to £32,562 million in the year ended 30 September 2020 from £31,594 million in the year ended 30 September 2019. The increase was primarily attributable to stronger market size and share albeit delivered in some of the Group's lower value markets which led to a weaker than usual tobacco price/mix increase (up only 3.9 per cent) compared to the year ended 30 September 2019 and was also partially offset by a significant decline in NGP revenue mainly due to US regulatory intervention in the vapour market and competitive pressures.

Duty and similar items

Duty and similar items increased by £568 million, or 3.7 per cent, to £15,962 million in the year ended 30 September 2020 from £15,394 million in the year ended 30 September 2019. The increase was primarily attributable to annual government imposed duty increases across the Group.

Other cost of sales

Other cost of sales increased by £460 million, or 4.6 per cent, to £10,420 million in the year ended 30 September 2020 from £9,960 million in the year ended 30 September 2019. The increase was primarily attributable to a shift in volumes from travel retail regions back to local markets where cost of sales is higher and certain additional manufacturing costs incurred due to inefficiencies resulting from COVID-19 related restrictions.

Distribution, advertising and selling costs

Distribution, advertising and selling costs increased by £34 million, or 1.5 per cent, to £2,329 million in the year ended 30 September 2020 from £2,295 million in the year ended 30 September 2019. The increase was primarily attributable to a number of one-off costs with respect to the track-and-trace requirements of the EUTPD, legal costs in Europe and increased provisions for COVID-19 related risks, mainly with respect to stock and debtor positions.

Administrative and other expenses

Administrative and other expenses decreased by £628 million, or 35.9 per cent, to £1,120 million in the year ended 30 September 2020 from £1,748 million in the year ended 30 September 2019. The decrease was primarily attributable to a decrease in amortisation and impairment of acquired intangibles and the non-recurrence of the fair value adjustment of acquisition consideration made in the year ended 30 September 2019 with respect to the disposal of Premium Cigars, partially offset by increased restructuring costs relating to the Group's COP II.

Operating profit

Operating profit increased by £534 million, or 24.3 per cent, to £2,731 million in the year ended 30 September 2020 from £2,197 million in the year ended 30 September 2019. The increase was primarily attributable to the non-recurrence of the impairment charge taken in the year ended 30 September 2019 with respect to the disposal of Premium Cigars. Adjusted operating profit decreased by £212 million, or 5.7 per cent (4.8 per cent on a constant currency basis), to £3,527 million in the year ended 30 September 2020 from £3,739 million in the year ended 30 September 2019. The decrease was primarily attributable to the impact on the Group's tobacco performance of lower tobacco price/mix, additional COVID-19 related costs, including increased stock and debtor provisions and higher manufacturing costs, higher regulatory compliance costs with respect to the track-and-trace requirements of the EUTPD, increased overheads and the payment of fines (currently under appeal) imposed by the competition

authorities on the tobacco industry in the Netherlands and Ukraine. The decrease was further exacerbated by the adjusted operating loss of the Group's NGP business, including write-downs in inventory and intellectual property.

Net finance costs

Net finance costs increased by £48 million, or 8.5 per cent, to £610 million in the year ended 30 September 2020 from £562 million in the year ended 30 September 2019. The increase was primarily attributable to increased net fair value and foreign exchange losses realised on financial instruments as well as net financing costs with respect to post-employment benefits.

Tax

Tax charge decreased by £1 million, or 0.2 per cent, to £608 million in the year ended 30 September 2020 from £609 million in the year ended 30 September 2019. The Group's reported effective tax rate was 28.1 per cent in the year ended 30 September 2020, compared to 36.0 per cent in the year ended 30 September 2019. The decrease in the reported effective tax rate was mainly due to there being no tax relief in the year ended 30 September 2019 on the impairment of intangibles relating to the intended disposal of Premium Cigars and on the fair value adjustment of acquisition consideration.

Results by segment

Europe

	For the year ended 30 September	
	2019	**2020**
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Europe		
Tobacco volume (*in billion stick equivalents*)	134.9	130.1
Net revenue	3,633	3,569
Adjusted operating profit	1,694	1,582

Tobacco volume (on a stick equivalent basis) in the Group's Europe segment decreased by 4.8 billion, or 3.5 per cent, to 130.1 billion in the year ended 30 September 2020 from 134.9 billion in the year ended 30 September 2019. The decrease was primarily attributable to COVID-19 related restrictions reducing travel and affecting the Group's duty-free sales and sales in traditional holiday destinations in Southern Europe. The decrease was partially offset by positive market size trends, particularly in the Northern European markets of the UK, Germany, the Nordics and France, from consumers staying at home and, thus, not purchasing tobacco products in the duty-free market. In addition, border closures helped to reduce the flow of illicit tobacco, also benefiting the duty-paid market size in countries such as the UK.

Net revenue from the Group's Europe segment decreased by £64 million, or 1.8 per cent (0.8 per cent on a constant currency basis), to £3,569 million in the year ended 30 September 2020 from £3,633 million in the year ended 30 September 2019. The decrease was primarily attributable to relatively stable net revenue (on a constant currency basis) from the sales of tobacco products, combined with reduced net revenue from the sales of NGP. Tobacco price/mix for the year ended 30 September 2020 was favourable at 3.5 per cent, mainly due to relatively strong pricing in the UK and Germany, partially offset by negative product mix in those markets with increased demand for value brands and formats.

Adjusted operating profit from the Group's Europe segment decreased by £112 million, or 6.6 per cent (5.9 per cent on a constant currency basis), to £1,582 million in the year ended 30 September 2020 from £1,694 million in the year ended 30 September 2019. The decrease was primarily attributable to lower duty-free and travel retail volumes due to travel restrictions related to the COVID-19 pandemic, additional COVID-19 related costs, including increased stock and debtor provisions and higher manufacturing costs, higher regulatory compliance costs with respect to the track-and-trace requirements of the EUTPD and certain write-offs following the introduction of the ban on characterising flavours in the EU.

Despite overall declined performance by its Europe segment in the year ended 30 September 2020, the Group managed to grow its tobacco market share in France and Spain for the first time in several years. Overall divisional market share declined by 10 basis points, with market share declines in Germany and the UK, although the Group achieved improvements in the second half of the year in both markets. In relation to NGP, following a write-down of inventory and destocking of the supply chain during the first half of the year, the Group focused on improving trade margins and moderating investment in order to increase category returns. The market share of *myblu* remained relatively stable despite the Group's reduced investment in NGP.

Americas

	For the year ended 30 September	
	2019	2020
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Americas		
Tobacco volume (*in billion stick equivalents*)	22.0	21.3
Net revenue	2,469	2,480
Adjusted operating profit	1,064	1,032

Tobacco volume (on a stick equivalent basis) in the Group's Americas segment decreased by 0.7 billion, or 3.2 per cent, to 21.3 billion in the year ended 30 September 2020 from 22.0 billion in the year ended 30 September 2019. The decrease was primarily attributable to market size declines in the US and year-on-year trade inventory movements of 700 million sticks. However, if those trade inventory movements were adjusted for, this would have meant that the Group's tobacco volumes were slightly up, outperforming the overall market size decline through market share gains.

Net revenue from the Group's Americas segment increased by £11 million, or 0.4 per cent (0.4 per cent on a constant currency basis), to £2,480 million in the year ended 30 September 2020 from £2,469 million in the year ended 30 September 2019. The increase was primarily attributable to increased tobacco net revenue with tobacco price/mix of 5.2 per cent driven by continued strong cigarette pricing, partially offset by adverse product mix from growth in deep discount brands and a significant decrease in NGP net revenue as a result of a destock of trade inventories and reduced promotional activities.

Adjusted operating profit from the Group's Americas segment decreased by £32 million, or 3.0 per cent (3.4 per cent on a constant currency basis), to £1,032 million in the year ended 30 September 2020 from £1,064 million in the year ended 30 September 2019. The decrease was primarily attributable to a lower tobacco adjusted operating profit, combined with an NGP adjusted operating loss, during the year ended 30 September 2020. Tobacco profitability was impacted by increased provisions for COVID-19 related risks, mainly with respect to stock and debtor positions, as the Group took a more cautious view in light of ongoing uncertainties, and higher overheads as the Group invested in its tobacco sales force to drive share growth. The NGP losses were driven by a £48 million write-down of flavoured inventory following the relevant FDA ban and lower NGP sales.

During the year ended 30 September 2020, the Group's Americas business continued to deliver cigarette share growth for the second consecutive year, up 10 basis points to 8.9 per cent. This was driven by strong performances from the *Sonoma* and *Montclair* brands in the growing deep discount segment and investment in the *Winston* and *Kool* offerings to maintain their shares in the declining premium segment. The Group's Americas business also benefited from continued strong demand in the mass-market cigar segment during the year with market volumes up by approximately 9 per cent. The Group's Americas business grew market share by 70 basis points having regained momentum in *Backwoods* during the second half of the year with improved leaf sourcing and expanded on-shelf availability through a wider network of outlets.

Africa, Asia and Australasia

	For the year ended 30 September	
	2019	2020[1]
	(*in £ million, unless otherwise indicated*)	
Tobacco & NGP		
Africa, Asia and Australasia		
Tobacco volume (*in billion stick equivalents*)	87.3	87.4
Net revenue	1,889	1,689
Adjusted operating profit	763	643

Note:

(1) Tobacco volume, net revenue and adjusted operating profit from the Group's AAA segment for the year ended 30 September 2020 are presented on an organic basis. Organic performance excludes the contribution of Premium Cigars, the disposal of which completed on 29 October 2020 affecting the results of the Group's AAA segment and, thus, the overall Group results for the above period. Premium Cigars contributed £247 million to net revenue and £31 million to adjusted operating profit in the year ended 30 September 2020. See "*Presentation of Financial, Market and Other Information—Presentation of the Group's Financial Information—Presentation on an organic basis*".

Tobacco volume (on a stick equivalent basis) in the Group's AAA segment increased by 0.1 billion, or 0.1 per cent, to 87.4 billion (on an organic basis) in the year ended 30 September 2020 from 87.3 billion in the year ended 30 September 2019. The increase was primarily attributable to the Group's strong performance in lower margin markets in the Middle East, Turkey and the Côte d'Ivoire, partially offset by the impact of ongoing market share declines in the higher value market of Australia and the decrease of approximately 0.3 billion sticks equivalent relating to the contribution of Premium Cigars in the year ended 30 September 2019.

Net revenue from the Group's AAA segment decreased by £200 million, or 10.6 per cent, to £1,689 million (on an organic basis) in the year ended 30 September 2020 from £1,889 million in the year ended 30 September 2019. The decrease was primarily attributable to the adjustment due to the sale of Premium Cigars as well as lower NGP sales, in particular with respect to vapour offerings in Japan. The decrease was partially offset by high tobacco net revenue as a result of tobacco volume gains and price/mix benefit from the sell-through of inventory in Australia accumulated ahead of the September 2019 excise duty increase.

Adjusted operating profit from the Group's AAA segment decreased by £120 million, or 15.7 per cent, to £643 million (on an organic basis) in the year ended 30 September 2020 from £763 million in the year ended 30 September 2019. The decrease was primarily attributable to NGP adjusted operating losses and lower tobacco adjusted operating profit during the year ended 30 September 2020 combined with the sale of Premium Cigars. Tobacco profitability was impacted by increased provisions for COVID-19 related risks associated with longer supply chains and the relatively higher customer credit risk in the AAA region resulting in increased provisions for stock and debtor positions.

Despite the impact of NGP losses on the Group's AAA results for the year ended 30 September 2020, the Group recorded continued market share gains across all its principal markets in the AAA region, including by 20 basis points in Australia and by 450 basis points in Saudi Arabia. In Australia, the Group's *Parker & Simpson* brand continued to gain market share in the growing "fifth price tier". In Saudi Arabia, sales of *Davidoff* and *West* supported market share growth, driven by better field coverage and on-shelf availability following the introduction of plain packaging in November 2019.

Distribution

	For the year ended 30 September	
	2019	2020
	(*in £ million, unless otherwise indicated*)	
Distribution		
Revenue	8,969	9,268
Net revenue	1,015	1,015
Operating profit	137	131
Adjusted operating profit	232	226

Net revenue from the Group's Distribution segment remained stable at £1,015 million in the year ended 30 September 2020 and the year ended 30 September 2019 (and increased by 0.7 per cent on a constant currency basis), reflecting the Group's positive Distribution performance in Italy and Spain, partially offset by the declined performance in France due to the challenging trading environment with weaker tobacco volumes and lower revenue from the distribution of convenience products.

Adjusted operating profit from the Group's Distribution segment decreased by £6 million, or 2.6 per cent (1.9 per cent on a constant currency basis), to £226 million in the year ended 30 September 2020 from £232 million in the year ended 30 September 2019. The decrease was primarily attributable to additional cost pressures caused by the COVID-19 pandemic and the impact from year-on-year variations in the valuation of tobacco inventories because of changes in taxes on and prices of tobacco products, partially offset by ongoing cost management initiatives.

As mentioned above, Logista continued to distribute products to customers, with almost all its points of sale, products and services classified as essential by governments, even during the period when the COVID-19 pandemic still restricted movement in many of the Group's end markets. In the year ended 30 September 2020, the Group's Distribution business in Italy benefited from both growth in NGP and a relatively resilient tobacco performance. In Spain, strong performance in pharmaceutical distribution and the distribution of convenience products contributed to offsetting regional tobacco declines.

Liquidity and Capital Resources

The Group broadly defines liquidity as its ability to generate sufficient cash flow from its operating activities to meet its contractual obligations and commercial commitments together with its undrawn committed bank facilities, ECP, cash and cash equivalents and expectation of obtaining appropriate bank facilities, capital markets debt, ECP and/or equity financing in the future. The Group's principal long-term capital resources consist of its bank credit facilities and capital market issuances, as described below, as well as expected operating cash flow.

The Group has consistently converted a high level of its profit from operations into operating cash flow. The Group's cash conversion rate was 83 per cent, 127 per cent and 95 per cent in the years ended 30 September 2021, 2020 and 2019, respectively, and 59 per cent and 16 per cent in the six months ended 31 March 2022 and 2021, respectively. For the twelve months ended 31 March 2022, the Group's cash conversion rate was 102 per cent, free cash flow was £2.4 billion and net cash flow was £1.3 billion. As at 31 March 2022, the Group's market capitalisation on the London Stock Exchange was £15.3 billion.

Strong cash generation has continued to support the Groups's efforts to reduce its debt levels. The Group's adjusted net debt to adjusted EBITDA ratio in the twelve months ended 31 March 2022 reduced to 2.4x, compared to 2.6x in the twelve months ended 31 March 2021 and 3.5x in the twelve months ended 31 March 2020. Adjusted net debt in the six months ended 31 March 2022 was £9,157 million, compared to £10,328 million in the six months ended 31 March 2021 and £13,476 million in the six months ended 31 March 2020.

As at 31 March 2022, the Group had total committed financing in place of approximately £11.7 billion, comprising approximately 72 per cent capital market bond issuances, 24 per cent bank facilities and 4 per cent ECP. As of such date, the Group's debt weighted average maturity (excluding ECP) was 4.15 years, of which the capital market bond weighted average maturity was 4.54 years. As at 31 March 2022, the Group had available liquidity consisting of approximately £2.5 billion of committed undrawn facilities and £588 million of cash and cash equivalents.

For a discussion of the Group's funding and treasury matters, see Notes 20, 21 and 22 to the 2021 Financial Statements.

Cash flows

The following table sets forth the Group's consolidated cash flows for the years ended 30 September 2019, 2020 and 2021 and for the six months ended 31 March 2021 and 2022:

	For the year ended 30 September			For the six months ended 31 March	
	2019[1]	2020[2]	2021	2021[3]	2022
			(*in £ million*)		
Cash flows from operating activities					
Operating profit	2,197	2,731	3,146	1,637	**1,201**
Dividends received from investments accounted for under the equity method	54	43	4	4	-
Depreciation, amortisation and impairment	1,316	910	815	372	356
(Profit)/loss on disposal of non-current assets	(19)	(2)	2	2	2
(Profit)/loss on disposal of subsidiaries	-	-	(281)	(281)	16
Post-employment benefits	(72)	(88)	(63)	(73)	(24)
Costs of employees' services compensated by share schemes	23	20	25	11	14
Fair value adjustment of acquisition consideration	129	-	-	-	-
Fair value adjustment of loan receivable	-	63	(15)	(17)	(2)
Movement in provisions	80	(121)	18	(52)	62
Operating cash flows before movement in working capital	**3,708**	**3,556**	**3,651**	**1,603**	**1,625**
(Increase)/decrease in inventories	(560)	67	70	(720)	(689)
(Increase)/decrease in trade and other receivables	(267)	241	(201)	(28)	240
Increase/(decrease) in trade and other payables	877	734	(533)	(583)	(203)
Movement in working capital	50	1,042	(664)	(1,331)	(652)
Tax paid	(522)	(568)	(820)	(431)	(273)
Net cash generated from/(used in) operating activities	**3,236**	**4,030**	**2,167**	**(159)**	**700**
Cash flows from investing activities					
Interest received	15	9	15	-	2
Loan to joint ventures	4	-	-	-	-
Loan to third parties	(75)	(3)	-	-	-
Proceeds from the sale of non-current assets	57	28	50	30	23
Net proceeds from sale of subsidiaries	-	-	845	626	57
Deposit received from sale of asset held for sale	-	83	-	-	-
Purchase of non-current assets	(409)	(302)	(200)	(91)	(87)
Purchase of brands and operations	(17)	(146)	-	-	-
Purchase of subsidiaries, net of cash required	-	-	-	-	(13)
Net cash generated from/(used in) investing activities	**(425)**	**(331)**	**710**	**565**	**(18)**
Cash flows from financing activities					
Interest paid	(488)	(429)	(415)	(255)	(244)
Cash from employees on maturity/exercise of share schemes	1	-	-	-	-
Lease liabilities paid	-	(72)	(69)	(38)	(34)
Increase in borrowings	3,699	1,240	858	856	891
Repayment of borrowings	(2,330)	(3,096)	(2,224)	(899)	(1,004)
Cash flows relating to derivative financial instruments	(117)	(23)	41	14	40
Repurchase of shares/purchase of shares by employee share ownership trusts	(108)	(92)	-	-	(1)
Dividends paid to non-controlling interests	(84)	(85)	(93)	(63)	(58)
Dividends paid to owners of the parent	(1,844)	(1,753)	(1,305)	(906)	(917)
Net cash used in financing activities	**(1,271)**	**(4,310)**	**(3,207)**	**(1,291)**	**(1,327)**
Net increase/(decrease) in cash and cash equivalents	**1,540**	**(611)**	**(330)**	**(885)**	**(645)**
Cash and cash equivalents at start of the period	**775**	**2,286**	**1,626**	**1,626**	**1,287**
Effect of foreign exchange rates on cash and cash equivalents	(15)	13	(9)	24	(12)
Transferred to held for disposal	(14)	(62)	-	-	(42)
Cash and cash equivalents at end of the period	**2,286**	**1,626**	**1,287**	**765**	**588**

Notes:

(1) Represents the Group's consolidated cash flow statement information for the year ended 30 September 2019 as reported in the 2019 Financial Statements and the 2020 Financial Statements.

(2) Represents the Group's consolidated cash flow statement information for the year ended 30 September 2020 as reported in the 2020 Financial Statements and the 2021 Financial Statements.

(3) Represents the Group's consolidated cash flow statement information for the six months ended 31 March 2021 as reported in the 2022 Interim Financial Statements.

Six months ended 31 March 2022 compared to six months ended 31 March 2021

In the six months ended 31 March 2022, the Group generated £700 million net cash from operating activities, compared to using £159 million net cash in operating activities in the six months ended 31 March 2021, primarily reflecting changes of movement in working capital, which was negative £652 million in the six months ended 31 March 2022, compared to negative £1,331 million in the six months ended 31 March 2020, as a result of duty payment dates at Logista returning to normal following changes to duty payment dates in the preceding periods due to the COVID-19 pandemic, and changes in tax paid. Tax paid in the six months ended 31 March 2022 was £273 million, compared to £431 million in the six months ended 31 March 2021, primarily reflecting the one-off payment in the six months ended 31 March 2021 of £101 million for alleged state aid under the Controlled Foreign Company regime in the UK.

In the six months ended 31 March 2022, the Group used £18 million net cash in investing activities, compared to generating £565 million net cash from investing activities in the six months ended 31 March 2021, primarily reflecting the non-recurrence of net proceeds from the sale of Premium Cigars received in the six months ended 31 March 2021.

Net cash used in financing activities was £1,327 million in the six months ended 31 March 2022, compared to £1,291 million in the six months ended 31 March 2021, primarily due to the net repayment of borrowings. Interest paid in the six months ended 31 March 2022 was £244 million, compared to £255 million in the six months ended 31 March 2021.

Year ended 30 September 2021 compared to year ended 30 September 2020

Net cash generated from operating activities was £2,167 million in the year ended 30 September 2021, compared to £4,030 million in the year ended 30 September 2020, primarily reflecting changes of movement in working capital, which was negative £664 million in the year ended 30 September 2021, compared to positive £1,042 million in the year ended 30 September 2020, as a result of changes to duty payment dates announced in the year ended 30 September 2020, and changes in tax paid. Tax paid in the year ended 30 September 2021 was £820 million, compared to £568 million in the year ended 30 September 2020, primarily reflecting the one-off payment in the year ended 30 September 2021 of £101 million for alleged state aid under the Controlled Foreign Company regime in the UK.

In the year ended 30 September 2021, the Group generated £710 million net cash from investing activities, compared to using £331 million net cash in investing activities in the year ended 30 September 2020, primarily reflecting net proceeds received from the sale of Premium Cigars.

Net cash used in financing activities was £3,207 million in the year ended 30 September 2021, compared to £4,310 million in the year ended 30 September 2020, primarily reflecting lower repayment of borrowings and dividends paid to owners of Imperial Brands, driven by the planned rebase of shareholder dividends announced in May 2020. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Dividend Policy*". Interest paid in the year ended 30 September 2021 was £415 million, compared to £429 million in the year ended 30 September 2020.

Year ended 30 September 2020 compared to year ended 30 September 2019

Net cash generated from operating activities was £4,030 million in the year ended 30 September 2020, compared to £3,236 million in the year ended 30 September 2019, primarily reflecting changes of movement in working capital, which was positive £1,042 million in the year ended 30 September 2020, compared to positive £50 million in the year ended 30 September 2019, as a result of changes to duty payment dates. Tax paid in the year ended 30 September 2020 was £568 million, compared to £522 million in the year ended 30 September 2019.

Net cash used in investing activities was £331 million in the year ended 30 September 2020, compared to £425 million in the year ended 30 September 2019, primarily reflecting the deposit received from the sale of Premium Cigars as asset held for sale and reduced purchases of non-current assets.

Net cash used in financing activities was £4,310 million in the year ended 30 September 2020, compared to £1,271 million in the year ended 30 September 2019, primarily reflecting increased repayment of borrowings and lower new borrowings. Interest paid in the year ended 30 September 2020 was £429 million, compared to £488 million in the year ended 30 September 2019.

Indebtedness

At as 30 September 2021, the Group's total borrowings were £9,822 million, consisting principally of the capital market bond issuances and bank facilities described below. As at the same date, the Group's reported net debt was £9,373 million and the Group's adjusted net debt was £8,615 million. As at 31 March 2022, the Group's total borrowings were £9,700 million, reported net debt was £9,757 million and adjusted net debt was £9,157 million. See "*Selected Consolidated Financial Information—Key Performance Indicators and Other Operating Metrics*" for a reconciliation of the Group's reported net debt to adjusted net debt for the periods under review.

Capital market bond issuances

The Group has established a euro medium-term note debt issuance programme, under which the Issuer and Imperial Brands Finance Netherlands B.V., as issuers, may issue notes of up to €15 billion in aggregate nominal amount (the **EMTN Programme**). The obligations of the Issuer and Imperial Brands Finance Netherlands B.V. under the EMTN Programme are guaranteed by Imperial Brands and ITL and extend to the ultimate balance of all sums payable by the Issuer and Imperial Brands Finance Netherlands B.V. under the EMTN Programme. The guarantee provided by ITL may be terminated at the option of ITL at any time, provided that the notes issued under the EMTN Programme maintain the same credit rating as the solicited long-term corporate credit rating ascribed to the Group.

As at 31 March 2022, the Group's capital market bond indebtedness comprised the bond issuances set forth below:

Issuer	Amount (in million)	Coupon[(1)]	Issue date	Maturity
Imperial Brands Finance PLC[(2)].....	US$1,250	3.750%	21 July 2015	21 July 2022
Imperial Brands Finance PLC	US$1,000	3.500%	11 February 2013	11 February 2023
Imperial Brands Finance PLC	€750	1.125%	12 February 2019	14 August 2023
Imperial Brands Finance PLC	£600	8.125%	15 September 2008	15 March 2024
Imperial Brands Finance PLC	US$1,000	3.125%	26 July 2019	26 July 2024
Imperial Brands Finance PLC	€500	1.375%	27 January 2017	27 January 2025
Imperial Brands Finance PLC	US$1,500	4.250%	21 July 2015	21 July 2025
Imperial Brands Finance PLC	€650	3.375%	28 February 2014	26 February 2026
Imperial Brands Finance PLC	£500	5.500%	26 September 2011	28 September 2026
Imperial Brands Finance PLC	US$750	3.500%	26 July 2019	26 July 2026
Imperial Brands Finance PLC	€750	2.125%	12 February 2019	12 February 2027
Imperial Brands Finance PLC	US$1,000	3.875%	26 July 2019	26 July 2029
Imperial Brands Finance PLC	£500	4.875%	28 February 2014	7 June 2032
Imperial Brands Finance Netherlands B.V.	€1,000	1.750%	18 March 2021	18 March 2033

Notes:
(1) Before interest rate and cross-currency swaps (where applicable).
(2) The Group's obligations under the US$1,250,000,000 3.750% notes due 21 July 2022 were satisfied and discharged in accordance with the terms of the relevant indenture.

In addition, the Group has access to an ECP programme and as at 31 March 2022 had issued a total of €515 million thereunder.

Bank credit facilities

On 30 March 2020, the Issuer and Imperial Tobacco Germany Finance GmbH (as borrowers) and Imperial Brands and ITL (as guarantors) entered into a credit facilities agreement (the **Facilities Agreement**) with a syndicate of twenty banks (as original lenders), whereby committed bank facilities of €3.5 billion in the form of revolving credit facilities were made available to the borrowers. The Facilities Agreement was amended and restated on 28 September 2021, primarily to take into account the announced cessation of LIBOR, and has a final maturity date of 30 March 2025 (subject to certain extension provisions documented within the Facilities Agreement).

The interest rate under the Facilities Agreement is €STR/EURIBOR (for drawings in euro), SONIA (for drawings in pounds sterling) or SOFR (for drawings in US dollars), as applicable, plus a margin. The margin is

linked to Imperial Brands' solicited long-term credit rating from Moody's and S&P or other agreed substitute statistical rating agencies if a rating from Moody's or S&P is not available.

The Group has given undertakings and financial covenants in respect of its business and financial position under the Facilities Agreement. The financial covenants are a minimum ratio of the Group's consolidated "earnings before interest, tax, depreciation and amortisation" (**Consolidated EBITDA**, as defined in the Facilities Agreement) to the Group's consolidated net interest (**Consolidated Net Interest Payable**, as defined in the Facilities Agreement) and a maximum ratio of the Group's net debt (**Consolidated Total Net Borrowings**, as defined in the Facilities Agreement) to Consolidated EBITDA. The Group has been in compliance with these covenants since inception of the Facilities Agreement, including the most recent measurement period (as defined in the Facilities Agreement). In addition, a lender under the Facilities Agreement may require, by notice to the facility agent not earlier than 30 days and no later than 60 days following notification by the facility agent of a "change of control" of Imperial Brands (as defined therein) under the Facilities Agreement, its participation in any outstanding loans under the Facilities Agreement to be immediately repaid and the commitments of that lender to be immediately cancelled. The facility agent must give not less than five days' notice to the borrowers with respect to any such cancellation of the commitments and required repayment.

The Facilities Agreement also contains certain other warranties, undertakings and indemnities from Imperial Brands and certain other Group companies which are a party to the Facilities Agreement in favour of the lenders that are customary for such an agreement.

As at 31 March 2022, the Group has no other committed bank facilities other than the Facilities Agreement. As of 31 March 2022, the Group had utilised £470 million under the Facilities Agreement.

On 2 July 2020, the Issuer, ITL and Imperial Brands entered into deeds of counter indemnities (each, a **Counter Indemnity**) in favour of certain surety companies in consideration for the issue of guarantees by such surety companies in favour of Imperial Tobacco Pension Trustees Limited (or its successor(s) in title) as trustee of the ITPF constituted by the definitive trust deed and rules dated 1 March 1995 (as amended from time to time) to guarantee the obligations of ITL in respect of the ITPF for a total amount of up to £225 million. The expiration date of each guarantee is 2 January 2026. There are no other participating companies. Each Counter Indemnity contains certain warranties, undertakings and indemnities in respect of the business and financial position of the Group.

Other obligations and facilities

In accordance with supplementary documentation to the Group's International Swaps and Derivatives Association agreements for derivative contracts, the Group has obligations to provide credit support, above certain thresholds on a periodic basis, to certain of its financial counterparties for certain designated derivatives that have a mark-to-market valuation adverse to the Group. As at 31 March 2022, the Group had collateral totalling £34 million on deposit under these arrangements.

In addition, the Group has a number of guarantee and credit facilities in place that allow it to temporarily defer the payment of tax and duty.

Contractual Obligations

The following table summarises the Group's non-derivative financial liabilities by maturity based on their contractual cash flows as at 30 September 2021. The amounts below are undiscounted cash flows calculated using spot rates of exchange prevailing at the relevant balance sheet date:

	Balance sheet amount	Contractual cash flows total	Payment due by period			
			Less than 1 year	1-2 years	2-5 years	After 5 years
			(*in £ million*)			
Non-derivative financial liabilities						
Bank loans	52	52	51	1	-	-
Capital market issuance	9,770	11,158	1,341	1,678	5,068	3,071
Trade payables	1,018	1,018	1,018	-	-	-
Lease liabilities	251	283	64	55	86	78
Total non-derivative financial liabilities	**11,091**	**12,511**	**2,474**	**1,734**	**5,154**	**3,149**

Capital commitments

For the year ended 30 September 2021, the Group reported capital commitments (contracted but not provided for) of £86 million relating to property, plant and equipment, and software. The capital commitments relate principally to investment in manufacturing capability to improve efficiency and support new products in growth areas.

Post-Balance Sheet Events and Off-Balance Sheet Arrangements

The transfer of the Group's Russian business completed on 27 April 2022. The transfer of the Group's Russian assets was treated as a non-adjusting post-balance sheet event for the purpose of the 2022 Interim Financial Statements, with the transaction being accounted for in the second half of the year ending 30 September 2022.

On 8 April 2022, the FDA issued marketing denial orders against a number of *myblu* products. The Group is currently seeking to overturn the decision through an appeal process. This FDA decision was treated as a non-adjusting post-balance sheet event for the purpose of the 2022 Interim Financial Statements, and consequently had no impact on the carrying value of associated assets as at 31 March 2022.

To manage customer-related credit risks, the Group has a non-recourse factoring arrangement in place, which is treated as an off-balance sheet arrangement for financial reporting purposes. As at 31 March 2022, the trade receivables sold under this arrangement totalled approximately £630 million.

Impact of IFRS 16 "Leases"

IFRS 16 "Leases" is a recent accounting standard relating to leases, which became effective for accounting periods beginning on or after 1 January 2019. The standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lease accounting model where the lessee is required to recognise assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset is of low value.

The Group elected to adopt the standard with effect from 1 October 2019 using the modified retrospective approach. Under this method, there was no restatement for prior periods. The financial impact on adoption of IFRS 16 "Leases" to the Group's balance sheet at 1 October 2019 is set out in the table below:

	As reported at 30 September 2019 (pre-IFRS 16)	**IFRS 16 Adjustment**	**On adoption at 30 September 2019 (post-IFRS 16)**
		(*in £ million*)	
Right of use assets	-	327	327
Current assets - Trade and other receivables	2,993	(1)	2,992
Current liabilities - Borrowings	(1,937)	(65)	(2,002)
Non-current liabilities - Borrowings	(11,697)	(261)	(11,958)
Other net assets	16,225	-	16,225
Net assets	**5,584**	**-**	**5,584**

The impact of IFRS 16 "Leases" on the Group's results for the year ended 30 September 2020 was an increase in depreciation by £72 million relating to the depreciation on the new right of use assets and an increase in finance costs by £7 million relating to the interest expense on the lease liabilities recognised. Lease expense recognised in the cost of sales and distribution, advertising and selling costs line items in the consolidated income statement reduced by approximately £72 million. There was no overall impact to cash flows from operating activities, and cash flows from financing activities increased by £7 million.

Quantitative and Qualitative Disclosures about Market Risk

Information on the Group's financial risk management policies can be found in Note 21 to the 2021 Financial Statements. For more information on the Group's accounting policies and critical accounting estimates and judgments, see Notes 1 and 2 to the 2021 Financial Statements and the 2022 Interim Financial Statements.

DESCRIPTION OF THE GROUP AND ITS BUSINESS

Overview

Imperial Brands (**IB**), a FTSE 100 company headquartered in Bristol, UK, is the parent company of an international business specialising in tobacco and NGP brands. The Group is committed to finding a long-term solution for harm reduction, operating responsibly and minimizing its impact on the planet, while recognizing the Group's role to provide genuine choices to its consumers in how their experiences are delivered.

The Group's core business is built around a tobacco portfolio of approximately 160 brands that offers a comprehensive range of cigarettes, fine cut tobacco, papers and mass-market cigars as well as NGP and snus products. Through its subsidiaries, the Group sells its tobacco brands in approximately 120 markets across the globe. As at 30 September 2021, the Group employed 30,300 employees and had a network of 31 manufacturing sites worldwide.

Strategy

On 27 January 2021, IB announced its new five-year strategy to transform the Group and create long-term value. The Group's new strategy has three priorities. The first is to create sustained value in the combustible market by focusing on the Group's priority markets where the Group can leverage its strengths. The second is to build a distinctive presence in NGP, which, over time, is expected to deliver a material contribution both to harm reduction, through the offering of potentially reduced harm products to consumers, and investor returns. The third is to drive value from the Group's broader global portfolio. Alongside its revised strategic priorities, the Group has set out a clear capital allocation framework to support investment in the new strategy, strengthen its balance sheet and deliver enhanced shareholder returns. The disciplined approach the Group takes to managing cost and cash provides the funds to continue investing in growth. The Group's updated sustainability strategy frames the way in which the Group manages its sustainability and ESG issues and supports the long-term development of its business.

Strategic priorities

The Group's strategy is founded on three pillars:

- **Focusing on priority combustible markets**: The Group is focusing its investment and resources around its five most profitable markets: the US, Germany, the UK, Australia and Spain, which together represented approximately 70 per cent of the Group's adjusted operating profit for the year ended 30 September 2021 and the six months ended 31 March 2022, respectively. The Group has developed detailed brand and market plans to support this approach and is increasing investment behind a focused set of operational levers to strengthen performance and unlock value. For example, in the US, the Group is extending the regional presence and product offerings of its leading mass-market cigar brand *Backwoods* and is building on a tried-and-tested programme of consumer engagement activities. At the same time, the Group has increased investment in sales force and key account management across its priority markets. For example, the Group has increased the number of its sales employees in the US, while optimising sales force coverage across the right outlets. Similarly, in Germany, the Group has invested in improving sales force effectiveness and presence in under-represented channels and geographies. In Spain, the Group's *Nobel* cigarette brand is benefitting from ongoing brand-building initiatives, including investments in pack and product quality, to leverage its full potential as one of the Group's local "jewel brands".
- **Building a targeted NGP business**: The Group has reset its NGP strategy with a significantly different approach, informed by consumer insights and validation. It is focusing its NGP investment in markets where the NGP category has already been established, and, in particular, on heated tobacco opportunities in Europe and opportunities in vapour in the US, the UK and France. Its oral nicotine business remains focused on the Group's existing markets in Europe. Investment in NGP is disciplined and based on detailed market testing. The aim is to develop a sustainable NGP business that makes a meaningful contribution to harm reduction through the offering of potentially reduced harm products to consumers. In heated tobacco, two recent market trials in the Czech Republic and Greece with the Group's *Pulze* and *iD* propositions have received a positive response from trade partners and consumers, supporting further

launches into new markets. These are attractive markets because heated tobacco is already a well-established NGP category and the Group can leverage its existing route to market for combustible tobacco products. In the US, the Group has also started trials for a revised marketing proposition for its vapour product, *blu*, including more innovative consumer communication and customer support. Finally, as the category of modern oral nicotine delivery products is expected to grow rapidly, the Group, through its *ZoneX* oral nicotine brand, is investing in establishing promising share positions in Europe that it can continue to build over time.

- **Driving value from the Group's broader market portfolio**: The Group's review of its broader market portfolio has identified additional opportunities to drive future growth while realising efficiencies in how it operates in these markets. Although they are smaller, such markets benefit from attractive margins and relatively limited investment requirements. The Group is selectively building those where it has attractive leadership positions, such as in Africa and other European markets, and is selectively exiting a small number of others where it has a relatively weaker presence. For example in Africa, the Group has identified opportunities to drive growth through multiple levers in the region, including better application of its global brands in more premium price tiers, leveraging its local "jewel brands" and closing its sales coverage gaps. Similarly, in its five largest Eastern European markets, Poland, Ukraine, Romania, the Czech Republic and Hungary, the Group's strategic analysis suggests there is an attractive value growth opportunity over the next five years. At the same time, in the Nordics, the Group is continuing to build on its strong track record in traditional oral nicotine products.

Improving ways of working

To support the delivery of its strategic priorities, the Group is changing how it operates to embrace new ways of working and to enhance its culture. It has identified three critical enablers to drive these changes:

- **Consumer at the centre of the business**: The Group is investing to support a consistent approach to consumer insight, including improved capabilities in brand and trade marketing, portfolio management, innovation and sales excellence. This transformation is focused on leveraging the Group's portfolio to address key consumer needs and is overseen by the Group's new Chief Consumer Officer.
- **Performance-based culture and capabilities**: The Group is seeking to embed a performance-based culture to enhance accountability, improve its agility and support teamwork and collaboration throughout the business. The Group is also seeking to align rewards and incentives to reinforce performance and delivery of its objectives, and it is continuing to invest in talent while embracing diversity and inclusivity.
- **Simplified and efficient operations**: The Group aims to ensure resources and capabilities are focused on its most profitable combustible markets. Its NGP operations have been brought together within a unified, entrepreneurial business unit to leverage capabilities and resources more effectively. The Group is aligning its global enabling functions, such as Finance and Human Resources, to support delivery of its new strategy and ensure efficient allocation of resources.

Capital allocation framework

The Group's strategy is supported by a clear capital allocation framework, which is intended to optimise returns for all stakeholders. The business benefits from high margins and strong cash generation, which are expected to underpin the following capital priorities:

- **Investment behind the new strategy** to deliver the targeted organic growth initiatives in combustibles and NGP. The Group is also investing in strengthening capabilities, new ways of working and a streamlined organisation to improve effectiveness and realise efficiencies. Investment decisions are rigorously evaluated and monitored within a more disciplined, returns-focused framework.
- **A strong and efficient balance sheet** to support the Group's investment grade credit rating. Debt reduction will remain a priority to deliver the Group's target leverage towards the lower end of the Group's net debt to EBITDA range of 2-2.5 times. Management believes that a stronger balance sheet will provide the business with greater flexibility for the future, improving resilience to manage uncertainties and further underscoring the defensive characteristics of the Group's business.

- **A progressive dividend policy** to provide a reliable, consistent cash return to shareholders. The dividend is set to grow annually from the current level taking into account underlying business performance. In line with the Group's progressive dividend policy, on 15 November 2021, the Board decided to increase by 1 per cent the final dividend per share (in £ pence) that was paid for the year ended 30 September 2021. On 16 May 2022, the Board approved an increase of the interim dividend per share (in £ pence) of a further 1 per cent for the six months ended 31 March 2022.

- **Surplus capital returns to shareholders** to be considered once target leverage has been achieved. The Group's strong cash characteristics support additional capital returns through share buybacks and/or special dividends. The Group has adopted a disciplined approach regarding additional capital returns to shareholders. The Group remains focused on optimising such surplus capital returns through share buybacks and/or special dividends, subject to achieving its target leverage and market conditions, such as valuation, at that time.

Sustainability and ESG responsibility

Throughout its strategic review, the Group considered its sustainability and ESG responsibilities and concluded that both are aligned to, and underpin, the Group's new business strategy. The Group's sustainability strategy remains focused on tobacco, NGP and behaving responsibly. The three pillars of the strategy are designed to enable growth and create value and also define the approach the Group takes to managing its ESG priorities. For further details on the Group's sustainability and ESG priorities and performance, see below under *"—Sustainability and ESG*".

History

The Imperial Tobacco Company (of Great Britain and Ireland) Limited was formed in 1901. Since its formation, the Group has experienced expansion, diversification and rationalisation, mergers, demergers and acquisitions. In late 1985, Hanson Trust (later Hanson PLC) made a successful bid to buy Imperial Group PLC (as it was then called) and the takeover was completed in April 1986. In October 1996, after ten years of ownership by Hanson PLC, the Group was listed on the London Stock Exchange as a FTSE 100 company. Between 1997 and 2008, the Group spent approximately £17 billion on acquisitions, which enhanced the Group's position in many overseas markets. Following a ten-year period of intense industry consolidation, the Group emerged as one of just four international tobacco companies competing against each other on a global scale. In 2015, the Group acquired additional cigarette brands in the US including *Winston* and *Kool* and the international rights to the *blu* vapour brand. These assets were merged with the Group's existing portfolio within Commonwealth Brands to create a new company, ITG Brands. In February 2016, Imperial Tobacco Group PLC was renamed Imperial Brands PLC to reflect the breadth of the Group's brands focus. On 27 January 2021, under its new management team, the Group announced its new five-year strategy to transform the Group and create long-term value. See above under "*—Strategy*".

The Group's Business Model

The Group's business model and activities are structured around six key areas:

- **Adult consumer insights**: The Group strives to maintain a deep understanding of adult smokers and nicotine consumers, keeping the consumer in the centre of its operations focus. These consumer insights provide the Group with a competitive advantage and inform how it communicates with adult consumers and its product offerings in both tobacco and NGP.

- **Science and regulation**: The manufacture, advertising, sale and consumption of tobacco and NGP products have been subject to extensive and increasing regulation from governments worldwide. The Group uses its know-how and flexible size to be agile in how it responds to regulatory changes. This is supported by the Group's central and local legal and corporate affairs teams, as well as the Group's central science team as appropriate, which understand the regulatory environment across the Group's markets and ensure the Group operates responsibly with high quality products compliant with local standards.

- **Marketing and innovation**: The Group's marketing and innovation teams add value by using consumer insights to develop a portfolio of combustible tobacco and potentially reduced harm NGP to engage and

excite adult consumers. The Group uses sales and marketing communications and innovation to differentiate its brands and meet evolving consumer needs.

- **Sustainable sourcing**: The Group's leaf purchasing teams work with a diverse and complex supply chain from smallholder farmers to multinational companies to procure high-quality leaf and nicotine for its products. The Group's procurement teams add value by responsibly meeting all its sourcing needs, including leaf, nicotine and non-tobacco materials such as papers, filters and packaging, as well as the power and water the Group uses to run its factories.
- **Efficient manufacturing**: The Group's manufacturing teams take the raw materials and employ the latest production methods, working to high quality and product manufacturing standards. The Group's scale and knowledge are competitive strengths enabling it to supply quality products at low cost. Where appropriate, for example with NGP devices, the Group uses third-party manufacturers with the technical expertise to deliver high-quality products. The Group also uses third-party logistics companies to distribute its products.
- **Strong retail partnerships**: The sales and marketing teams across the regions in which the Group operates add value through their strong partnerships with the Group's customers, which is a source of competitive advantage. The Group strives to understand their needs and help them to navigate the changing regulatory environment. The Group's aim is to deliver mutually attractive commercial arrangements that support growth and value creation for its retailer, wholesaler and distributor customers.

Products

Tobacco & NGP

Consumer preferences are changing; consumers are using a broader repertoire of nicotine products than before. The Group is committed to investing in brand innovation to continue to meet such evolving preferences. Its portfolio of approximately 160 brands are designed to connect with adult consumers in all the Group's key tobacco and NGP segments.

The Group has strong market positions in cigarettes, fine cut tobacco, papers and mass-market cigars. Its brands include, among others, *Davidoff*, *Gauloises*, *JPS*, *West*, *Fine*, *News*, *Winston*, *Lambert & Butler*, *Parker & Simpson*, *Kool*, *Horizon*, *Backwoods*, *Dutch Masters*, *Golden Virginia*, *Embassy*, *Nobel*, *Riverstone*, *Maverick*, *Sonoma*, *Crowns* and *Rizla*. The Group has also built a portfolio of NGP assets: (a) in vapour with *blu*, (b) in heated tobacco with *Pulze* and *iD*, and (c) in oral nicotine with *Skruf* and *ZoneX*. The remainder of the Group's portfolio consists of local and regional brands, which support the Group's volume and revenue development.

Other investments

The Group has also explored other avenues of NGP growth, including in the cannabis space. In June 2018, the Group purchased an equity stake in Oxford Cannabinoid Technologies (**OCT**), a biopharmaceutical company focused on researching, developing and licensing cannabinoid-based compounds and therapies. In July 2019, the Group announced its research and development partnership with Auxly Cannabis Group, Inc. (**Auxly**), a listed Canadian cannabis company, which builds on the investment made in OCT in 2018. The transaction was completed in September 2019, ahead of the further liberalisation of cannabis regulation in Canada in October 2019, when the sale of cannabis-derivative products, such as edibles, extracts and topicals, was legally permitted. As part of the partnership, the Group has granted Auxly global licences to its vaping technology and access to its innovation business, Nerudia. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Acquisitions, investments and disposals*".

Premium Cigars

On 27 April 2020, the Group announced that it had agreed the sale of Premium Cigars, including the disposal of the Group's La Romana factory in the Dominican Republic, reinforcing the Group's focus on simplifying its business and realising value for its shareholders by reducing debt. The total cash receipts expected from the transaction are €1,198 million. The share sale element of the transaction completed on 29 October 2020, with the sale of the La Romana factory in the Dominican Republic being expected to complete during the year ending 30 September 2022. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Acquisitions, investments and disposals*". In the six

months ended 31 March 2021, Premium Cigars contributed £21 million to the Group's net revenue and £3 million to the Group's adjusted operating profit.

The Group's Business Segments

The Group comprises two distinct businesses: Tobacco & NGP and Distribution. For Tobacco & NGP, the Group reports its results in three separate geographic segments: Europe, Americas and Africa, Asia and Australasia. Accordingly, the Group's reportable segments are: (a) Europe, (b) Americas, (c) Africa, Asia and Australasia and (d) Distribution.

Tobacco & NGP

The Group's Tobacco & NGP business comprises the manufacture, marketing and sale of tobacco and NGP and tobacco and NGP-related products, including sales to (but not by) the Group's Distribution business.

Europe

The Group manufactures and sells a comprehensive range of tobacco and NGP in Europe, including cigarettes, fine cut tobacco, snus, vapour, oral nicotine and heated tobacco products and papers. The Group's primary European markets consist of Germany, the UK, Spain, France, Italy, Greece, Sweden, Norway, Belgium, the Netherlands, Ukraine and Poland. Key brands in the Group's Europe segment include *JPS*, *Lambert & Butler*, *West*, *Gauloises* and *blu*.

The Group's net revenue from sales of tobacco and NGP in its Europe segment was £3,551 million in the year ended 30 September 2021 and £1,569 million in the six months ended 31 March 2022, representing 46.7 per cent and 44.9 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period. The Group's total tobacco volume for its Europe segment in the year ended 30 September 2021 and the six months ended 31 March 2022 was 126.7 billion and 57.8 billion stick equivalents, respectively. As at 31 March 2022, the Group's tobacco aggregate market share in each of its priority markets in Europe was 19.1 per cent in Germany, 41.8 per cent in the UK and 28.2 per cent in Spain.

Americas

The Group's Americas business offers a broad portfolio of cigarette, vapour and mass-market cigar brands. The Group's primary American market is the US. The Group formed its current US business through the combination of its US-based operations with cigarette brands and assets acquired through the 2015 US Acquisition. Key brands in the Group's Americas segment include *Kool*, *Winston*, *Maverick*, *Sonoma*, *Backwoods* and *blu*.

The Group's net revenue from sales of tobacco and NGP in its Americas segment was £2,534 million in the year ended 30 September 2021 and £1,160 million in the six months ended 31 March 2022, representing 33.3 per cent and 33.2 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period. The Group's total tobacco volume for its Americas segment in the year ended 30 September 2021 and the six months ended 31 March 2022 was 21.5 billion and 9.7 billion stick equivalents, respectively. As at 31 March 2022, the Group's cigarette aggregate market share in the US, its priority Americas market, was 9.8 per cent.

Africa, Asia and Australasia

The Group's Africa, Asia and Australasia (**AAA**) business offers a broad portfolio of cigarettes, fine cut and smokeless tobaccos. The Group's primary AAA markets consist of Australia, Saudi Arabia, Taiwan, Algeria and Morocco. Key brands in the Group's AAA segment include *JPS*, *Gauloises*, *Davidoff*, *West* and *Parker & Simpson*.

The Group's net revenue from sales of tobacco and NGP in its AAA segment was £1,504 million (on an organic basis) in the year ended 30 September 2021 and £766 million in the six months ended 31 March 2022, representing 19.8 per cent (on an organic basis) and 21.9 per cent of the total net revenue from the Group's Tobacco & NGP business for each respective period. The Group's total organic tobacco volume for its AAA segment in the year ended 30 September 2021 and the six months ended 31 March 2022 was 83.7 billion and 42.4 billion stick equivalents, respectively. As at 31 March 2022, the Group's tobacco aggregate market share in Australia, its priority AAA market, was 31.6 per cent.

Distribution

The Group's Distribution business comprises the distribution of tobacco and NGP products for tobacco and NGP product manufacturers, including the Group's Tobacco & NGP business, as well as a wide range of non-tobacco and NGP products and services. The Group's Distribution business is one of the largest distribution businesses in Europe, serving approximately 200,000 points of sale across Spain, France, Italy and Portugal. The business serves both tobacco and non-tobacco customers and has established a long track record of delivering sustainable value. The Group's Distribution business is run on an operationally neutral basis ensuring all customers are treated equally. Transactions between the Group's Tobacco & NGP business and its Distribution business are undertaken on an arm's length basis reflecting market prices for comparable goods and services.

The Distribution business comprises the Group's shareholding (held by ITL) in Compañía de Distribución Integral Logista Holdings, S.A. (**Logista**). Logista operates through two divisions: (a) tobacco logistics, which involves the transportation of tobacco products primarily in Spain, France, Italy, Portugal and Poland, and (b) other logistics, which provides transport services for various industries, including publishing, pharmaceuticals and lottery. Logista is a leading distributor of products to the convenience retailers, covering outlets that include tobacconists, petrol stations and grocery stores. In addition, Logista operates in the transportation segment, through courier and industrial parcel activities in Spain and Portugal. Logista is listed on the Spanish Stock Exchange. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Acquisitions, investments and disposals*" for a discussion on the recent acquisition by Logista of a 60 per cent share in Transportes El Mosca.

The Group's revenue from its Distribution business was £9,589 million in the year ended 30 September 2021 and £4,639 million in the six months ended 31 March 2022, representing 29.2 per cent and 30.2 per cent of the Group's total revenue for each respective period.

Manufacturing and Supply Chain

The Group seeks to share technology and expertise across its 31 manufacturing sites (as at 30 September 2021) around the world in order to reduce manufacturing costs and increase efficiency. It focuses on high-quality, low-cost manufacturing and has an ongoing drive to improve productivity across the business. It aims to ensure that its manufacturing base is structured effectively to ensure a fast response to changing market dynamics and consumer requirements.

In the last few years, the Group has closed a number of cigarette, fine cut tobacco and cigar factories in the context of an ongoing review of its manufacturing footprint in order to maximise efficiencies. As part of its sale of Premium Cigars, the Group also expects to complete the transfer of its La Romana factory in the Dominican Republic during the year ending 30 September 2022. In response to the Russian invasion of Ukraine, the Group temporarily suspended its operations in Ukraine, including its Kyiv factory, on 24 February 2022 to prioritise the safety and wellbeing of its 600 employees in the country. In April 2022, the Group resumed certain of its operations in Ukraine. On 9 March 2022, amid a highly challenging environment in Russia as a result of international sanctions and consequential severe disruption, the Group also suspended all operations in Russia, including halting production at its factory in Volgograd. On 20 April 2022, the Group announced that it had agreed the transfer of its Russian operations, including a sales and marketing business and its Volgograd factory, as a going concern to a local third party. The transaction successfully completed on 27 April 2022. In the year ended 30 September 2021, Russia and Ukraine represented approximately 2 per cent of the Group's net revenue and 0.5 per cent of adjusted operating profit. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Acquisitions, investments and disposals*".

Conventional tobacco products

The Group's main materials are tobacco leaf, paper, acetate tow (for the production of cigarette filter tips), printed packaging materials and other materials used in the manufacture of tobacco products, which are purchased from a number of suppliers. The Group's policy is not to be reliant, where practical, on any one supplier, and it has not suffered any significant production losses as a result of an interruption in the supply of raw materials. Where there are only a few major suppliers of a main material, the failure of any one supplier could potentially have an impact on the Group's business.

With regard to tobacco leaf, the Group seeks to reduce its exposure to individual markets by sourcing tobacco leaf from a number of different countries, including Brazil, India, Spain, China and Malawi. Different regions may experience variations in weather patterns that may affect crop quality or supply and so lead to changes in price. Political instability may also affect tobacco crops significantly. The Group seeks to offset these risks by purchasing tobacco crops from numerous areas of the world, and to ensure a consistent leaf supply if there is a crop failure.

Tobacco blends and brands

Tobacco comes in a number of varieties, the most common of which are lighter coloured Virginia, Oriental and dark air-cured. In general, dark tobacco is used for pipes and cigars and lighter coloured leaf is used in the manufacture of cigarettes, although Burley, a darker coloured tobacco, is the main component in American blend. Fine cut tobacco is manufactured using blends of light and dark tobacco.

While there are local variations, cigarettes are manufactured using two principal tobacco blends, Virginia blend and American blend, each accounting for approximately half of the world market. Virginia blend products are predominant in the UK, Australia and most Asian markets, including China and India. American blend products are predominant in Western (other than the UK), Central and Eastern Europe, the US and Latin America.

There are significant differences among tobacco markets due to local preferences for tobacco blends and brands, the degree of governmental regulation, excise duty structures and distribution mechanisms in each market. Tobacco products are generally branded products, with different brands preferred in different geographic regions. Consequently, brand ownership and management are important factors. In a number of markets, tobacco distribution arrangements and governmental regulations, including duty and tariff structures, may act as barriers for new entrants into such markets.

NGP

There are two main components of the Group's *blu* vaping product: the device (including the battery) and the container for flavoured liquids. The Group manufactures its packs, liquid container systems, bulk liquids, batteries and chargers for *blu* through its third-party manufacturing partners in China and the US. The vapour products themselves contain an e-liquid (only applicable to "pre-filled" products) that is made in the US or the UK with domestic and imported materials. The filling of the liquid containers, either a pod, tank or bottle, is undertaken by the Group's partners in the US and China. For its modern oral nicotine delivery and heated tobacco products that include tobacco, the Group manufactures such tobacco element at its own manufacturing sites. The *Pulze* device for heated tobacco is manufactured through a third-party manufacturing partner in China.

Sales and Distribution

With a number of countries being subject to the EU Directive 2003/33/EC, as amended, regulating the advertising and sponsorship of tobacco products, and with many countries adopting the WHO FCTC, tobacco advertising and sponsorship has been banned or restricted in many of the markets in which the Group operates. As conventional means of communication between manufacturers and consumers, such as advertising and promotion, are progressively withdrawn, clear communication with retailers, for example about product features and prices, becomes increasingly important for them to make informed decisions about which products to stock. The Group seeks to ensure the wide availability of its product ranges at competitive prices, and continues to invest in sales communications technology, analysis tools and its relationship with retailers.

The manner in which the Group distributes its products varies by country. In some countries, particularly in Western Europe, the Group distributes its products itself (including through the logistics channels of Logista). In other countries, particularly in emerging markets, the Group distributes its products under agreements with third parties.

Market Background and Environment

Cigarettes

The global tobacco market was estimated at a total value of approximately US$935 billion in the calendar year 2021. Cigarettes represented the largest tobacco category, with over 5,200 billion units consumed during each year (Source: © *Euromonitor International*). Although the prevalence of tobacco smoking has been declining

globally, the global number of tobacco users has not been falling at the same rate, with more than 19 per cent of the world's adult population still choosing to smoke according to the Group's estimates. The development of potentially less harmful NGP, coupled with social change and regulation, is resulting in some smokers choosing alternative nicotine products such as heated tobacco, vapour and oral nicotine.

In the calendar year 2021, the world's largest cigarette market, China, accounted for approximately 2,420 billion of the cigarettes sold worldwide. Approximately 450 billion cigarettes were sold in Western Europe, approximately 400 billion in North and Latin America, approximately 3,420 billion in Asia Pacific, approximately 410 billion in Eastern Europe and approximately 520 billion in the Middle East and Africa. (Source: © *Euromonitor International*)

Cigars and cigarillos

Worldwide cigar and cigarillo consumption reached approximately 45.2 billion units in the calendar year 2021. Consumption is concentrated in the US, Asia Pacific and Western Europe. There are two major segments which are clearly differentiated: (a) cigars (large, standard and small cigars), with approximately 18.4 billion units sold in 2021, and (b) cigarillos, with approximately 26.9 billion units sold in 2021. In Western Europe, ownership of cigar brands is splintered among a large number of private companies and dominated by local brands. Spain is the largest cigar and cigarillo market in the region with sales of approximately 1.9 billion units in the calendar year 2021. In Asia Pacific, cigar and cigarillo sales in the calendar year 2021 reached approximately 18.0 billion units. In the US, the biggest cigar and cigarillo market by volume, the annual increase in cigar and cigarillo sales in the calendar year 2021 was approximately 4.2 per cent with approximately 15.2 billion units sold during the year. (Source: © *Euromonitor International*)

NGP

The vapour category has grown considerably during the past years, with approximately 63 million adult consumers worldwide in the calendar year 2021. The global vapour market was estimated at a total value of approximately £17 billion in the calendar year 2021, and is expected to reach £22 billion by 2023 (representing 31 per cent growth). The US was the world's largest vapour market in the calendar year 2021, with approximately 15 million adult vapers, while Western Europe accounted for over 12 million adult vapers.

Growth of the heated tobacco category has been rapid, with global retail sales having grown from approximately £0.9 billion in the calendar year 2016 to approximately £19.5 billion in the calendar year 2021, making it the largest NGP category by value. Japan is currently the largest heated tobacco market, worth approximately £8.0 billion in the calendar year 2021, followed by Italy at approximately £2.3 billion and Russia at approximately £1.8 billion. The number of new markets where heated tobacco is sold is expected to keep increasing, with global retail sales expected to reach approximately £38.7 billion by 2026 (representing 15 per cent growth). This growth is also reflected in the global consumer numbers of existing markets, which are forecast to grow from approximately 25 million in the calendar year 2021 to approximately 37 million by 2026.

In the modern oral nicotine delivery category, approximately 6.8 billion pouches were sold in the calendar year 2021, worth an estimated £2.2 billion in global retail sales. The main markets where modern oral nicotine delivery products are consumed are the US, which was worth approximately £1.7 billion of category value in the calendar year 2021, and Sweden and Denmark, which combined were worth approximately £0.3 billion of category value, meaning the category is highly concentrated across a few markets. The majority of growth in the modern oral nicotine delivery category over the next five years is expected to come from the US. (Source: © *Euromonitor International*)

Competition

In the tobacco cigarette market (excluding China and the US), there are a small number of international companies, of which the Group believes IB is the fourth largest by volume of sales. The four largest international tobacco companies are Philip Morris International, Inc., BAT, Japan Tobacco, Inc. and IB. Liggett Vector Brands LLC is also a notable competitor of the Group in the US. The competitive environment for NGP is fractured as the four largest tobacco companies are each seeking to expand into the NGP market, whether through acquisitions of NGP companies or through the development of new products. Additionally, each of the four tobacco companies, including IB, compete against smaller NGP-focused companies, such as JUUL Labs, Inc.

Illicit Trade

The Group's anti-illicit trade activities seek to protect the legitimate duty-paid, duty-free and travel retail tobacco market. By actively tackling the illicit trade problem, the Group seeks to regain some of the lost volume in legitimate duty-paid cigarettes and tobaccos, contributing to its sales growth ambitions and protecting government revenue, the legitimate businesses of tobacco retailers and its consumers. Furthermore, its anti-illicit trade activities cement the Group's standing as a responsible manufacturer and good corporate citizen.

Illicit trade is a significant problem in many markets. There are three elements to illicit trade:

- **Counterfeit**: products which illegally copy existing brands and are manufactured and/or sold in violation of trademark rights, often smuggled into other markets to be sold without any duty being paid;
- **Illicit whites**: tobacco products produced by smaller manufacturers (paying minimum tax at the point of manufacture) which are often smuggled into and sold illegally in other markets; and
- **Contraband**: genuine products purchased on a duty-paid or duty-free basis but smuggled into and sold illegally in other markets in contravention of fiscal or customs laws.

Accurately quantifying the scale of illicit trade is difficult. The Euromonitor International *World Market For Tobacco (August 2021)* report estimates that, excluding China, in the calendar year 2020, absolute volume growth of illicit volumes contracted by almost 6 per cent to 370 billion sticks. This represents the largest single year decline in illicit volumes in decades (following the largest single year growth in the calendar year 2019), driven by border closures and restrictions on movement due to the COVID-19 pandemic which prevented consumer access to the product.

The Group has built on the co-operation agreement signed in 2010 with the European Commission's European Anti-Fraud Office (**OLAF**) and Member States to jointly combat illicit trade in cigarettes, which for these purposes includes fine cut tobacco. This has involved coordinated anti-illicit trade activity and information sharing with customs authorities and industry partners across the EU and neighbouring states. This agreement includes payments by the Group to the European Commission of approximately US$300 million (approximately £186 million at the exchange rate fixed by the agreement) over 20 years with the aim of funding anti-illicit trade initiatives. Additionally, under the co-operation agreement, in the event of a seizure of contraband IB cigarettes in the EU, the Group is required to pay an additional amount equal to 100 per cent of the taxes and duties that would have been paid on the seized cigarettes if they had been legally sold in the Member State, or on a similar legal product if the seized cigarettes are not sold in the Member State. These additional payments must be made regardless of fault, but exclude any seizures of less than 50,000 cigarettes and certain other types of seizures set forth in the co-operation agreement. They are intended to compensate the EU and participating Member States for lost taxes, duties and other costs, as well as to provide an additional source of possible funding for anti-contraband enforcement. The Group is also required to make a supplemental payment to OLAF equal to 400 per cent of the corresponding additional payment, but only if the seized number of contraband IB cigarettes qualifying for additional payments exceeds a baseline amount of 90 million cigarettes in one calendar year.

In addition, the Group holds more than twenty memoranda of understanding and cooperation agreements with national governments, seeking to tackle and disrupt illicit trade, and continues to seek similar agreements in additional markets.

The Group is also implementing track-and-trace technology across its tobacco portfolio, currently focusing on cigarettes and fine cut tobacco, to enable it to track products through the supply chain from manufacturing to wholesale retailers and partially to points of sale, and trace any product back to source if it is found to have entered the illegal channel. In addition, track-and-trace systems are being rolled out in countries such as Burkina Faso, the United Arab Emirates, Saudi Arabia and others in accordance with national legislation.

In May 2019, all of the Group's manufacturing sites and warehouses supplying EU markets with cigarettes and fine cut tobacco were equipped with track-and-trace technology in accordance with the requirements of the revised EU Tobacco Products Directive (2014/40/EU), as amended (the **EUTPD**). The EUTPD requirements regarding other tobacco products (all tobacco-containing products such as cigars, cigarillos, pipe tobacco, snus and heated tobacco) will apply from May 2024. The Group is also currently preparing for the September 2023

deadline of the WHO FCTC's Anti-Illicit Trade Protocol requiring the application of track-and-trace technology for cigarettes and fine cut tobacco.

With regard to NGP, the leading brands in both the vapour and heated tobacco categories are being counterfeited. The scale and impact of counterfeiting is difficult to gauge, but it is already recognised as a threat to the legitimate market; as the popularity of NGP products grows, counterfeiting will almost certainly increase. There is currently no evidence that the Group's NGP products are being directly counterfeited, although products described as "*blu* compatible" are advertised on the internet. Excise duty revenue from tobacco is under pressure in many countries and individual governments may seek to recoup an element of any shortfalls through taxes on NGP. At this time, tax policies for NGP are still evolving, but significant variances between countries already exist.

Regulatory Landscape

A variety of regulatory initiatives affecting the tobacco and NGP industries have been proposed, introduced or enacted over many years, including: the levying of substantial and increasing excise duties; restrictions or bans on advertising, marketing and sponsorship; the display of larger health warnings, graphic health warnings and other labelling requirements on tobacco product packaging; restrictions on packaging design, including the use of colours in plain or standardised packaging regulations; restrictions on pack content, including minimum quantity per pack; restrictions or bans on the display of tobacco product packaging at the point of sale and restrictions or bans on cigarette vending machines; restrictions on the type of retail outlets that are permitted to sell tobacco products; requirements regarding testing, verification and maximum limits for tar, nicotine and carbon monoxide; requirements regarding ingredients and emissions reporting, evaluation and possible bans of certain tobacco product ingredients, including menthol; restrictions on flavourings for tobacco products and NGP; requirements that products and changes to products are notified to or approved by regulatory authorities prior to sale; requirements that cigarettes meet safety standards for ignition propensity; increased restrictions on smoking in public and work places and, in some instances, in private places and outdoors; implementation of measures restricting certain descriptive terms (including those which might be argued to create an impression that one brand of cigarettes is less harmful than another); track-and-trace requirements for tobacco products; the annual reporting of ingredients, market research and sales volumes; and, in an increasing number of jurisdictions, the requirement to comply with environmental legislation (including levies on (plastic) packaging waste and the collection and treatment of public cigarette butt litter).

IB continues to manage these challenges and seeks to engage with governments and other regulatory bodies to find reasonable, proportionate and evidence-based solutions to changing regulations.

The Group as a whole

World Health Organization Framework Convention on Tobacco Control

The WHO FCTC is an all-encompassing instrument for regulating tobacco products on a global level. It has been ratified by 181 countries to date. The original treaty is being supplemented by protocols and guidelines, some of which are currently under development. While the guidelines are not legally binding, they provide a framework of recommendations for parties to the WHO FCTC. These guidelines influence the regulatory landscape in which the Group operates.

The guideline on advertising, for instance, seeks to broaden the definition of tobacco advertising to include product display and vending, as well as the pack itself. The guideline on packaging and labelling further introduces the idea of "innovative health warnings", such as health warnings printed on the actual cigarette. The parties have also adopted a protocol in relation to anti-illicit trade, which came into force in September 2018. It places legal obligations on all parties to the protocol, including a track-and-trace regime and a licensing regime for the manufacture, import and export of tobacco products and machinery.

Other areas include the suggestion to introduce plain packaging, the rejection of any industry partnership and the regulation of electronic nicotine and non-nicotine devices.

All parties to the WHO FCTC meet at the Conference of the Parties, a set of periodic meetings to discuss the framework. The last such meeting was held in Geneva in November 2021. Future areas of work to be progressed

into guidelines include further product regulation and the provision of support for economically viable alternatives to tobacco growing.

Almost all of the WHO FCTC provisions entail extra costs for the tobacco industry in one way or another. A change in the number and size of on-pack health warnings, which is subject to regular rotation, for instance, requires new printing cylinders to be commissioned, while the implementation of new regulations relating to the use of plant protection products, product testing and the submission of ingredients information to national governments require extensive resources, time and material.

Smoking and use of NGP in public places

All countries in which the Group operates have enacted restrictions on smoking in public places, although the degree and severity of these restrictions vary. Comprehensive smoking bans in hospitality venues are in place in the majority of the markets in which the Group operates.

As tobacco regulation increases in speed, scale, scope and sophistication, some countries are also seeking to regulate public smoking in non-workplace environments such as outdoor dining areas, parks, beaches, balconies and cars carrying children. Some US and Australian states and Canadian provinces have already passed legislation to this end. Others, such as Spain, implemented temporary outdoor smoking bans during the COVID-19 pandemic and are now looking to pass them into law. Similarly, smoking in cars carrying anyone aged below 18 is banned in a number of jurisdictions, including the UK and Ireland. Experience in many markets has shown that following the introduction of public place smoking restrictions there is usually an initial decline in consumption, the rate of which diminishes over time.

As a relatively recent issue, vaping in public places is not yet directly regulated in many countries and generally depends on the legal classification of the vaping products. As the vaping category grows in popularity, it is expected that more and more countries implement restrictive rules around vaping in public places. Those who recognise the role of vapour products in population harm reduction are expected to take a more liberal approach while others are expected to include them in public smoking bans with a small number banning vaping altogether.

Regulation of other flavoured tobacco products and NGP

Some countries are now seeking to restrict or ban the use of certain flavours in tobacco products, arguing that such products disproportionally appeal to minors and act as a catalyst for young people taking up smoking. In the US, the Family Smoking Prevention and Tobacco Control Act of 2009 (**FSPTC Act**) bans characterising flavours other than tobacco and menthol. The FSPTC Act flavour ban is currently only applicable to cigarettes and roll-your-own/make-your-own products (including pipes and papers), and the Deeming Rule (as defined below) does not include a flavour ban. However, in April 2022, the FDA announced two proposed tobacco product standards – one prohibiting menthol as a characterising flavour in cigarettes and another prohibiting all characterising flavours (other than tobacco) in cigars. The FDA will decide whether to issue final product standards upon review of comments from the public, which are due by July 2022. In addition, pursuant to the "Guidance for Industry" (a document that summarises the FDA's current thinking on a topic) issued by the FDA in January 2020 (the **Guidance**), flavoured cartridge-based ENDS products without a marketing order, with the exception of tobacco and menthol flavours, became subject to enforcement and were withdrawn from the market in February 2020 until such time as a marketing order is received to allow the sale of these products. Although no formal rulemaking pertaining to flavours in ENDS products has taken place, this Guidance has resulted in a ban in sales of flavoured cartridge-based ENDS products in the US, with exception of tobacco and menthol flavours, until pre-market applications are received, reviewed and granted by the FDA. This current sales ban only applies to cartridge-based ENDS, and not the disposable or "cig-a-like" products. In addition, local government authorities in cities such as New York City and Boston have taken up the flavouring ban issue. In Canada, the manufacture and sale of cigarettes, little cigars and blunt wraps with characterising flavours are banned. The majority of Australian states have also banned flavours in cigarettes that give an "overtly" fruit-flavoured taste and the government is currently considering further regulatory options. The issue may also be extended to cigars at some point in the future. In the EU, the four-year transitional period for the ban of flavoured cigarettes and roll-your-own/make-your-own products with an EU-wide sales volume of 3 per cent or more in a particular product category ended in May 2020. The EU authorities are currently in the process of drafting legislation to extend the characterising flavour ban to heated tobacco consumables, with the entry into effect of such legislation expected during the 2023 calendar year.

European Union

EU Tobacco Products Directive (2014/40/EU)

The EU Tobacco Products Directive (2001/37/EC) was adopted in May 2001 for introduction into Member States' laws by September 2002, to set maximum tar, nicotine and carbon monoxide yields, introduce larger health warnings and ban descriptors such as "light" and "mild".

A review of the original directive commenced in 2010 and a revised directive, the EUTPD, became applicable in the Member States in May 2016. Provisions, as subsequently amended, include: increased pictorial health warnings to 65 per cent of the front and back of packs for cigarettes and roll-your-own/make-your-own products; restrictions on pack shape and size, including minimum pack sizes of 20 sticks for cigarettes and 30g for roll-your-own/make-your-own tobacco; increased ingredients reporting; a ban on characterising flavours; "tracking and tracing" requirements (from May 2019 for cigarettes and fine cut tobacco and 2024 for all other tobacco products); and for vapour products, nicotine limits, pre-market notification, ingredients reporting and advertising bans.

The EUTPD is an important piece of EU legislation for the Group's European markets as well as having an impact on the entire tobacco product portfolio. The European Commission has committed to re-examining the implementation and impact of the EUTPD, and to drafting additional amendments according to market developments, including in NGP. The next review of the EUTPD is currently underway and revisions are expected to significantly strengthen tobacco control measures in the EU.

EU Tobacco Excise Directive (2011/64/EU)

In the EU, excise duties for tobacco products are regulated principally through the EU Tobacco Excise Directive (2011/64/EU) (the **EUTED**). The EUTED defines the product categories, structure and minimum rates for excise duties on manufactured tobacco. The excise duty on cigarettes must consist of two components: a specific component (i.e., a fixed amount per 1,000 cigarettes) and an *ad valorem* component (i.e., a percentage of the retail-selling price). These two components must be the same for cigarettes of all price categories. Minimum rates are set out in the EUTED, which Member States must respect, although they are free to go above these minima in the taxes they apply. For tobacco other than cigarettes, Member States can choose between a specific duty or an *ad valorem* duty, or may apply a mixture of the two. Minimum rates are set out for three different categories of tobacco products, other than cigarettes, in the EUTED. Member States are free to apply national rates above these minima.

The EUTED is currently under review. Topics likely to be covered by the review include: an increase to factory manufactured cigarette (**FMC**) and fine cut tobacco (**FCT**) minimum excise rates; a revised conversion rate of FMC to FCT; narrowing of the gap between FMC and FCT excise; amendment to the 60 per cent incidence clause on FMC; inclusion of heated tobacco as a new category (with a minimum rate) and inclusion of vapour as a new category (with a minimum rate potentially set at zero) and raw tobacco.

EU Directive on Single-Use Plastics (2019/904/EU)

The EU has agreed legislation aimed at reducing single-use plastics. The EU Directive on Single-Use Plastics (2019/904/EU) (the **EUSUPD**) entered into force in June 2019, allowing two years for Member States to transpose the provisions into national legislations. The entry into force of the EUSUPD in 2021 has resulted in increased operating costs in the EU for the tobacco industry, including the Group. The industry is subject to an extended producers' responsibility scheme, under which manufacturers and importers of tobacco products are liable for the collection and disposal of plastic-containing filters, and has to apply specific marking on all cigarettes, heated tobacco products consumables and filter tips packs. Detailed instructions and guidance to Member States on both have been or are being developed via secondary legislation. Vapour devices and liquids and tobacco-free oral nicotine delivery products are out of scope of this legislation.

Plain and standardised packaging

The issue of plain packaging is high on the agenda of tobacco control groups. The WHO FCTC recommends the introduction of plain packaging through its guidelines on advertising, promotion and sponsorship and on packaging and labelling. In the EU, a review of plain packaging was initially proposed as part of revisions considered for the EUTPD but was rejected by most Member States early on in the process. However, Belgium,

France, Ireland, the Netherlands, Slovenia and Hungary have all adopted standardised packaging on a national level. A number of non-EU countries have also introduced standardised packaging requirements, including Australia, New Zealand, Norway, Israel, Saudi Arabia, Turkey, Singapore and the UK. See also below *"—Africa, Asia and Australasia—Plain and standardised packaging*".

Product display bans at point of sale

Product display restrictions at point of sale have been in place in a number of countries beginning in 2001 and have been implemented both at national and state levels. These include the UK, Norway, Iceland, Finland, New Zealand, Thailand, Canada, Australia and several other countries. Ireland was the first Member State to introduce a point of sale display ban effective July 2009.

Product display bans affect the consumer purchasing process and competition between tobacco manufacturers and retailers. Retailers may reduce the number of stock keeping units that they are likely to stock, which in turn may make it necessary for tobacco products manufacturing companies to review and adapt their product portfolio in certain markets.

Pictorial health warnings

Pictorial health warnings for cigarettes and roll-your-own/make-your-own products have been mandated in all 27 Member States through the EUTPD from May 2016 (or such date as stipulated in delayed national transpositions). Some Member States have extended the requirement of pictorial health warnings to additional product categories such as cigars.

Regulation of NGP such as vapour and heated tobacco products

The EUTPD includes a number of provisions regulating vapour products, including a maximum nicotine content of 20 mg/ml and the requirement for on-pack health warnings, pre-market notification and annual submission by manufacturers of a comprehensive data set to Member State authorities. See "*—EU Tobacco Products Directive (2014/40/EU)*" above for more detail about the EUTPD. It further prohibits cross-border sponsorship or sponsorship of national events that have a cross-border effect, and bans the advertising of nicotine-containing vapour products in print media, on television, radio and the internet. Nicotine-free vapour products are subject to the General Product Safety Directive 2001/95/EC of 3 December 2001, as amended, but such vapour products may be regulated more strictly by Member States.

Vapour products are not currently covered by the EUTED. Certain Member States have chosed to apply excise duty to vapour products through national legislation, although generally at a lower level compared to excise duty applying to tobacco.

Currently, regulation and excise of heated tobacco products also varies across jurisdictions, with some countries, such as Portugal and Norway, treating heated tobacco products under tobacco legislative frameworks.

United Kingdom

Tobacco products are extensively regulated in the UK. UK tobacco rules and regulations include requirements for standardised packaging and large graphic health warnings, a display ban at points of sale, comprehensive bans on smoking in public places, track-and-trace requirements and high excise duties. A new tobacco control plan is expected in the second half of the 2022 calendar year and will form the basis for a revision of the UK Tobacco and Related Products Regulations 2016. An independent review published in June 2022, which will feed into the tobacco control plan, sets out a number of recommendations including an increase to the legal age of sale for tobacco products and an additional annual investment of £125 million into the UK government's Smokefree 2030 policies, potentially to be funded by the tobacco industry, whilst also acknowledging the role of vapour products in tobacco harm reduction.

The UK government openly acknowledges the difference between tobacco products and tobacco-free alternatives, in particular vapour products, and their importance in reducing the harm associated with smoking. Vapour products are less severely regulated and, as a result of their endorsement by the UK government, UK tobacco smoking rates are at historically low levels, including among young people.

The Group is seeking further differentiation between the different product categories according to their tobacco harm reduction potential as part of the revision of the UK Tobacco and Related Products Regulations

2016, including improved product standards and increased advertising around health claims to ensure smokers are aware of, and understand, the potential health benefits of NGP compared to smoking.

Americas

Regulation in the US

The FSPTC Act granted the FDA regulatory authority over all tobacco products with immediate effect over cigarettes, roll-your-own/make-your-own and smokeless products. Key elements of the FSPTC Act regulate the annual registration of tobacco companies, product testing and the submission of ingredient information; require FDA approval for all new products or product modifications; ban all characterising artificial or natural flavours other than tobacco or menthol in cigarettes; establish "user fees" to fund FDA regulation of tobacco products; provide for the increase in health warning sizes on cigarette packs with the option to introduce pictorial health warnings; provide for implementation of good manufacturing practices; revise the labelling and advertising requirements for smokeless tobacco products; require the investigation of menthol; and allow the FDA to issue regulations deeming other tobacco products to be subject to the FSPTC Act.

One of the provisions of the FSPTC Act required all US cigarette manufacturers to seek a pre-market approval order from the FDA by one of three methods, including by way of "Substantial Equivalence" reports. These reports were required for all products in the marketplace as of March 2011, which were either introduced or changed since February 2007. The FDA refers to these reports, filed as of March 2011, as "provisional" Substantial Equivalence reports. Along with other companies, Reynolds indicated that it complied with the FDA's requirements by filing provisional Substantial Equivalence reports regarding the brands acquired by the Group under the 2015 US Acquisition. The FDA has approved twenty-nine of the provisional Substantial Equivalence reports that were filed, including those for Reynolds, to include six *Winston* variants, two *Kool* variants, and one *Salem* variant. The Group anticipates that the remaining pending provisional reports will be approved, and Reynolds has transferred these reports to ITG Brands and will cooperate with ITG Brands in obtaining FDA approval. In relation to the Lorillard brands acquired through the 2015 US Acquisition, Lorillard filed provisional Substantial Equivalence reports on or before the March 2011 deadline as required by the FSPTC Act. Twenty of the former Commonwealth Brands variants have also received marketing orders. In July 2016, the FDA issued a Not Substantially Equivalent (**NSE**) notice regarding the provisional Substantial Equivalence report filed for *Maverick Menthol Silver Box 100s*. ITG Brands decided not to challenge the FDA's position regarding this particular menthol variant and has taken all necessary steps to remove this product from the market. It is anticipated that the remaining provisional reports will be approved. In 2018, the FDA issued NSE notices on six variants of *Montclair*, one *Rave*, two *Salem* and one *Kool* product. The FDA agreed to suspend any action on these products while ITG Brands pursued an administrative appeal of the findings. The FDA subsequently issued an order that five of the *Montclair* variants should be issued Substantial Equivalence orders and the sixth should be granted further scientific review by the agency. In June 2019, the FDA issued NSE notices on nine variants of *Crowns*. In July 2019, August 2019 and October 2019, further NSE notices were received for six variants of *Maverick*, five variants of *Rave* and four more variants of *Salem*, respectively. These determinations are being appealed by ITG Brands and no immediate action is anticipated. ITG Brands does not currently produce any of the products subject to the pending reports, with the exception of a few variants sold only in Puerto Rico. All cigarette products have been converted to their grandfathered (pre-2007) product specifications, thus not requiring a marketing order, or are subject to at least one of the sixty-nine Exempt Orders the FDA has granted that allow for the marketing of the products, using the grandfathered specifications, with minor modifications.

For a discussion of US regulation of NGP, see *"—The Group as a whole—Regulation of other flavoured tobacco products and NGP*" above and "*—Regulation of NGP such as vapour and heated tobacco products*" below.

In July 2017, the FDA announced a multi-year plan to lower nicotine levels in combustible cigarettes to "non-addictive" levels. At the same time, the FDA noted that it is committed to encouraging innovations that have the potential to make a public health difference, stating that nicotine is both the problem and the solution to the question of addiction. In March 2018, the FDA announced three advance notices of proposed rulemaking (**ANPRMs**) regarding the regulation of premium cigars, the regulation of flavours in tobacco products (including menthol), and a potential standard for nicotine level in cigarettes. The FDA then solicited and accepted public comments on these various matters for review and consideration in the potential development of a rule or rules.

In April 2022, the FDA announced two proposed tobacco product standards: (a) a menthol product standard, prohibiting menthol as a characterising flavour in cigarettes, and (b) a cigar flavour product standard, prohibiting all characterising flavours (other than tobacco) in cigars. The public will have the opportunity to submit either electronic or written comments on the proposed rules through July 2022. Once all the comments have been reviewed and considered, the FDA will decide whether to issue final product standards. The FDA has also stated it intends to seek to limit distribution of flavoured vapour products in certain retail channels, but the basis for this statement is not clear. In June 2022, the FDA published its Spring Unified Agenda indicating that the FDA is targeting publishing a proposed rule to set a maximum nicotine level in cigarettes in May 2023. The FDA's timeline suggests that publication of a proposed rule is not imminent and, given the complexity of the regulation, a protracted rulemaking timeline is expected to follow any such publication.

The FTC also monitors certain reporting, advertising and other obligations regarding tobacco sales. In August 2018, a consumer petition was filed with the FTC asking it to act on alleged violations regarding social media use by several manufacturers, including IB. The allegations related to IB occurred in Australia, Egypt, Bosnia and Herzegovina, and the United Arab Emirates. No action has been taken on the petition as of the date of this Offering Memorandum.

The FDA has recently stated that it is considering changes to tobacco and vapour regulations, which may include changes to the regulation of cigars, an increase in the national minimum age for the purchase of tobacco and vapour products as well as other measures designed to prevent youth access.

The Group continues to actively participate in the regulatory process and supports the FDA's evidence-based approach to regulation.

Menthol regulation in the US

The FSPTC Act required the FDA to establish the Tobacco Products Scientific Advisory Committee (**TPSAC**) to evaluate, among other things, "the impact of the use of menthol in cigarettes on the public health, including such use among children, African-Americans, Hispanics, and other racial and ethnic minorities". In addition, the FSPTC Act permits the FDA to impose restrictions regarding the use of menthol in cigarettes, including a ban, if those restrictions would be appropriate for the public health. The findings of the TPSAC report, which is not binding on the FDA, included that menthol likely increases experimentation and regular smoking, as well as the likelihood and degree of addiction for youth smokers, non-white menthol smokers (particularly African-Americans) are less likely to quit smoking and are less responsive to certain cessation medications, and that consumers continue to believe that smoking menthol cigarettes is potentially less harmful than smoking non-menthol cigarettes as a result of the cigarette industry's historical marketing. TPSAC's overall recommendation to the FDA was that "removal of menthol cigarettes from the marketplace would benefit public health in the US".

In June 2011, the FDA provided a progress report on its review of the science related to menthol cigarettes. In this report, the FDA stated that "experts within the FDA Center for Tobacco Products are conducting an independent review of the science related to the impact of menthol in cigarettes on public health". The FDA stated that it would submit its draft independent review of menthol science to an external peer review panel in July 2011. In January 2012, the FDA provided a second progress report on its review of the science related to menthol cigarettes. In this update, the FDA stated that it "submitted its report to external scientists for peer review, and the agency is revising its report based on their feedback".

In July 2013, the FDA made available its preliminary scientific evaluation (**PSE**) of public health issues related to the use of menthol in cigarettes and peer review comments thereto. Although the FDA PSE found that menthol in cigarettes is not associated with increased smoke toxicity, increased levels of biomarkers of exposure or increased disease risk, the evaluation concluded that menthol in cigarettes is likely associated with increased initiation and progression to regular cigarette smoking, increased dependence, reduced success of smoking cessation, especially among African-American menthol smokers, altered physiological responses to tobacco smoke and particular patterns of smoking. In the PSE, the FDA concluded that menthol cigarettes likely pose a public health risk above that seen with non-menthol cigarettes. The FDA also issued an ANPRM seeking comments on the PSE and requesting additional information related to potential regulatory options it might consider for the regulation of menthol. The FDA has sought comments regarding, among other things, information on potential product standards for levels of menthol in cigarettes; the timeframe for compliance with any product

standard enacted; whether a stepped approach to lowering or removing menthol from cigarettes would be appropriate; whether sales, distribution, advertising or promotion restrictions are appropriate; and evidence, including public health impact, of any potential illicit market in menthol cigarettes should they no longer be available. In addition, the FDA announced that it is funding new research on, among other things, the differences between menthol and non-menthol cigarettes to obtain information to assist the FDA in making informed decisions related to potential regulation of menthol in cigarettes. The FDA established a comment period for the ANPRM and PSE, which ended in November 2013, and said it will consider all comments and other information submitted to determine what, if any, regulatory action is appropriate.

In April 2022, the FDA announced two proposed tobacco product standards prohibiting menthol as a characterising flavour in cigarettes and all characterising flavours (other than tobacco) in cigars. The public will have the opportunity to submit either electronic or written comments on the proposed rules through July 2022. Once all the comments have been reviewed and considered, the FDA will decide whether to issue final product standards. The exact timing of the FDA's decision process is unclear.

Pictorial health warnings

In the US, the FSPTC Act required the FDA to develop and implement graphic health warning statements. The initial proposal was found to be unconstitutional and the agency worked to develop an alternative that would not violate legal standards. In March 2020, the FDA published its final rule requiring 11 graphic warnings to be displayed on packaging and advertisements evenly and randomly with implementation in June 2021. In April 2020, RJR Tobacco, ITG Brands and a number of other manufacturers filed a challenge to the final rule in the US District Court for the Eastern District of Texas. The case is ongoing and the court has issued multiple orders postponing the implementation date of the rule. In May 2022, the court again postponed the effective date to July 2023.

Canada and Brazil have already introduced pictorial health warnings on tobacco products.

Regulation of NGP such as vapour and heated tobacco products

In May 2016, the FDA published a final rule deeming certain previously unregulated tobacco products (including cigars and vapour products) to be subject to the regulatory authority of the FDA (the **Deeming Rule**). The Deeming Rule became effective in August 2016. As part of the regulatory environment, newly deemed products are subject to, among other things, minimum age restrictions, health warning requirements and a requirement to register product and ingredient information with the FDA. In addition, all newly deemed products introduced on the market after February 2007 must obtain FDA pre-market approval. Since most vapour products were placed on the market after that date, the result is that virtually all vapour products need to be submitted to the FDA for review. However, products on the market as of the effective date of the Deeming Rule were allowed to remain in the market for a continued period provided the manufacturer filed a pre-market submission by September 2020, after which time the FDA began enforcement against products not subject to a pending pre-market submission. Additionally, the FDA provided a one-year review period after which time it may make enforcement decisions on a case-by-case basis. The FDA prioritises enforcement against products with pending pre-market submission in the following manner: (a) any flavoured, cartridge-based ENDS product (other than a tobacco- or menthol-flavoured ENDS product); (b) all other ENDS products for which the manufacturer has failed to take (or is failing to take) adequate measures to prevent minors' access; and (c) any ENDS product that is targeted to minors or whose marketing is likely to promote use of ENDS by minors. Additionally, flavoured cartridge-based ENDS products without a marketing order, with the exception of tobacco and menthol, became subject to enforcement and were withdrawn from the market in February 2020 until such time a marketing order is received to allow the sale of these products. In April 2022, the FDA issued marketing denial orders (**MDOs**) for seven *myblu* ENDS products, including one device and six liquid cartridges. IB immediately notified the FDA of its intention to request an administrative review of the MDOs and issued a Freedom of Information Act request for the reviewer files. The FDA has stated it will not seek to enforce the MDOs while the appeal is pending. At the same time, IB filed a request for relief in the US Federal Circuit Court of Appeals for the DC Circuit, requesting the court find the MDOs were issued without the requisite procedure as required by law. This action is in addition to the administrative review taking place before the FDA. IB has a high degree of confidence it can provide the information needed to overturn the MDOs and receive market approvals for the above *myblu* products.

The FDA has also announced new enforcement actions and a Youth Tobacco Prevention Plan to stop youth use of, and access to, vapour products in the US. In addition to its proposed product standards regarding menthol-flavoured cigarettes and flavoured cigars (see "*—Regulation in the US*" and *"—Menthol regulation in the US*" above), the FDA also announced plans to pursue further regulatory initiatives on flavoured vapour products, with the aim that only tobacco, mint and menthol vapour products could be sold in traditional retail outlets. Under the proposals, other flavoured vapour products may only be sold at age-restricted locations or through online channels that use age verification checks. This proposal, however, has not been implemented.

Africa, Asia and Australasia

Australian excise regime

From 2013, tobacco excise increases in Australia were based on two mechanisms: (i) the Average Weekly Ordinary Time Earnings (**AWOTE**) mechanism applied twice per year in March and September, and (ii) a 12.5 per cent excise accelerator applied in September of each year. In September 2021, the excise accelerator was discontinued, with the AWOTE mechanism remaining in place. The change is expected to ease affordability pressures on Australian smokers and may slow the increasing levels of illicit trade. To date, there have been no indications that the excise accelerator will be reintroduced, but the recent change of Australian government following the general election in May 2022 has created some uncertainty.

Plain and standardised packaging

The Australian government's tobacco plain packaging legislation took effect in December 2012. A challenge brought by Imperial Tobacco Australia Limited and other manufacturers in 2011 was unsuccessful. In June 2018, the World Trade Organization (the **WTO**) issued a decision in a dispute brought in 2013 by a number of tobacco and cigar producing WTO member states concerned about the restrictions on trademarks, geographical indications and other requirements imposed by Australia. The WTO found that the parties failed to demonstrate that Australia's plain packaging measures are inconsistent with WTO rules. In New Zealand, relevant legislation came into effect in March 2018.

Pictorial health warnings

There is a general trend in AAA towards the introduction of pictorial health warnings on tobacco products and certain countries, including Australia, New Zealand, Thailand and Singapore, have already implemented them.

Regulation of NGP such as vapour and heated tobacco products

Vapour regulation in AAA varies, ranging from little or no regulation to a complete ban (for example, in Australia, Japan and Taiwan) of selling nicotine-containing vapour products outside of pharmaceutical regulations.

New Zealand has recognised the harm reduction potential of NGP and is in the process of legalising nicotine containing vapour, heated tobacco and oral nicotine delivery products, and is drawing up stringent rules for their labelling, marketing, sale and consumption.

Heated tobacco is legal in a number of Asian markets, including Japan and Korea.

Comprehensive regulation of vapour products, such as in the EU, the UK and the US, could increase in future in markets in AAA where they can be legally sold.

Intellectual Property

The Group's intellectual property rights relating to its brands are valuable assets and their protection and reputation are critical to the operation of its business. The Group's brands are protected by a variety of intellectual property (**IP**), the predominant form of which is trademarks. Trademarks protect the brand name of a tobacco product, e.g. *blu*, as well as the logos and trade dress associated with that brand, for example, the *blu* triangle device. As trademarks can potentially be infinite in duration, they are of key value to the Group.

IP rights are geographic in scope. For instance, registered trademark protection must be applied for in a particular territory, usually a country. The Group, like many international cigarette manufacturers, does not have exclusive ownership of all of its brands in all territories, due to historical arrangements in the tobacco industry,

prior obstacles on the IP register or simply a lack of commercial interest in a specific brand in a specific territory. In particular, in 1973, when the UK joined the EU, an agreement was reached with BAT for the exchange of certain trademarks. As a result of these historical arrangements and subsequent arrangements with BAT and other third parties, the Group does not have exclusive ownership of all its pre-1973 brands in all the territories in which it operates. However, the Group owns, or has the right to use, the trademark rights to all of its brands in all countries where they are used.

Copyright and design rights (both registered and unregistered) play a smaller, supporting role in protecting the Group's brand assets and the shape of product packaging.

Patent protection is not brand-specific, but patents play an important role in protecting the Group's technical innovations, especially within the NGP category. The Group has more than 2,000 granted patents worldwide and over 900 pending patent applications. The Group's patent portfolio, as a whole, is material to its business. However, no one patent, or group of related patents, is material. The Group also has proprietary secrets, technology, know-how, processes and other IP rights that are not registered but are protected by appropriate confidentiality measures.

Litigation

Except for the matters detailed below, there have been no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Issuer or the Guarantors are aware during the 12 months preceding the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer, the Guarantors or the Group.

In relation to the matters detailed below, and any other proceedings brought against any member of the Group in the future, the Group could incur substantial damages and costs. See also "*Risk Factors—Risks Relating to the Group—Litigation resulting in adverse judgments and related costs may cause the Group to incur substantial damages*".

Europe

Litigation in France

On 16 January 2018, the French National Committee against Tobacco (the **CNCT**) filed a criminal complaint with the Paris Public Prosecutor against the four main tobacco manufacturers, including a French subsidiary of IB named Imperial Brands Finance France S.A.S. (**IBFF**), on the grounds of "reckless life endangerment". Neither IBFF nor any of its employees or managers have been charged or placed under formal investigation in any ongoing proceedings as a result of the complaint. The Group strongly denies the allegations made by the CNCT and is monitoring developments.

In November 2015, the Group received a challenge from the French tax authorities concerning the valuation placed on the shares of Altadis Distribution France S.A.S. (now known as Logista France S.A.S.) following an intra-Group transfer of shares in October 2012 and the tax consequences flowing from a potentially higher value that is argued for by the tax authorities. In October 2018, the Commission Nationale, an independent adjudication body whose decision is advisory only, issued a report supportive of the Group's arguments for no adjustment. In December 2018, the French tax authorities issued their final assessment seeking £234 million of additional tax assessed. In January 2019, the Group appealed against the assessment. In August 2020, the French tax authorities rejected the Group's appeal and the matter proceeded to litigation. As of the date of this Offering Memorandum, all submissions have been made to the court. A hearing had been originally scheduled for February 2022, but has since been delayed without a new hearing date having been set yet.

In December 2021, the Group received assessments from the French tax authorities which could lead to additional liabilities of £169 million. The challenge concerns the intra-Group financing of the French branch of ITL. In February 2022, the Group appealed against the assessments. Advice to date is that the Group's appeal should ultimately be successful. To the extent the appeal is unsuccessful, penalties can be applied by the French tax authorities.

Litigation in the United Kingdom

In June 2020, the Group responded to a claimant law firm's allegations of human rights issues in the Malawian tobacco supply chain, which included allegations relating to child and forced labour. In December 2020, an unquantified claim was filed in the UK High Court against IB, ITL and four of its subsidiaries and two entities of the BAT group by a group of tobacco farm workers. The Imperial defendants acknowledged service and confirmed to the claimants that they intend to defend the claim in full.

The claimants' disclosure application to be heard at the end of November 2021 was adjourned. The deadline for the Imperial defendants and BAT to file a defence has been postponed pending other case management actions and will be determined at a subsequent case management hearing.

Litigation in Spain

A claim has been made against Altadis by the General Attorney of Spain seeking repayment of state aid paid out between 2004 and 2010 (a period largely preceding the Group's acquisition of Altadis, which took place in 2008). Altadis understands the claim to be approximately €20.5 million, although the General Attorney of Spain may seek to change this amount. State aid was paid by the regional government of Andalusia to various insurance companies, to finance the early retirement costs of former employees of Altadis following termination of their employment contracts as a result of the closure of an Altadis factory. In January 2022, the court ordered that the claim should proceed to the next stage. Altadis is required file a bank guarantee in the sum of €400 at court.

Recent European Commission proceedings

On 25 April 2019, the European Commission's final decision regarding its investigation into the UK's Controlled Foreign Company regime was published. It concludes that the legislation up until December 2018 does partially represent state aid. In mid-June 2019, the UK government appealed to the European Court seeking annulment of the European Commission's decision. On 8 November 2019, the Group, along with a number of UK corporates, made a similar application to the European Court. The UK government was obliged to collect any state aid granted pending the outcome of the European Court process.

Based on advice, the Group's position remains that no state aid has been received, but, following HMRC guidance, an assessment of potential state aid was submitted to HMRC in July 2020. In February 2021, a charging notice for £101 million, in line with the Group's assessment, was issued to the Group by HMRC and has since been paid. Advice to date has been that the Group's appeal against the European Commission's decision should ultimately be successful so a current tax receivable of £101 million has been recognised as a non-current asset in the Group's financial statements. On 8 June 2022, the General Court of the European Union issued its judgement on the UK government's and ITV's (the lead corporate case) annulment applications. The decision was in favour of the European Commission. The Group is considering the options of appealing against this decision with its advisors. The assessment of uncertain tax positions is subjective and significant management judgment is required. This judgment is based on current interpretation of legislation, management experience and professional advice.

Competition matters

On 12 April 2019, the Spanish National Commission on Markets and Competition (the **CNMC**) announced penalties against Philip Morris Spain, Altadis, JT International Iberia and Logista. Altadis and Logista received fines of €11.4 million and €20.9 million, respectively, from the CNMC. According to the decision, Altadis and Logista are alleged to have infringed competition law by participating in an exchange of sales volume data between 2008 and February 2017. The CNMC considers that this conduct had the effect of restricting competition in the Spanish tobacco market. Both companies believe that the arguments made by the CNMC are flawed. In June 2019, both Altadis and Logista commenced appeals to the CNMC's decision and the fines imposed in the Spanish High Court where they believe they will be successful, a decision supported by external legal counsel. In September 2019, Altadis and Logista separately arranged bank guarantees for the full amount of the fines with the result that payment of the fines had been suspended pending the outcome of the appeals. In the Altadis appeal, both parties have concluded their submissions to the Spanish High Court and a judgment is awaited. In the Logista appeal, Logista submitted its pleadings before the Spanish High Court in February 2021 and a judgment is awaited. There has been no guidance on the timing for the issuance of these judgments by the court. The inspection process in the Altadis offices was declared null and void by the Spanish High Court in May 2021. The CNMC has appealed this annulment to the Spanish Supreme Court and a decision is currently pending.

Americas

US litigation environment and State Settlement Agreements

In the US, claims could be brought in federal, state or local courts, or by way of enforcement actions, and by individuals, by a class or by way of group action by a number of parties (whether in actions in which a class has been certified (or in which plaintiffs (claimants) are seeking class certification) or in which individual cases have been grouped for a consolidated trial), by national, state or local regulatory authorities or other public institutions, by corporations, unions, funds or other incorporated entities, or by political or social organisations (such as Native American tribes). The claims (subject to certain provisions in settlements with states) could relate, among others, to personal injury, addiction, death, costs of providing health care (including cost recovery actions), costs of court-supervised health monitoring programmes, settlement/fee payments with regard to cigarettes and business, sales or advertising conduct. Furthermore, in a report entitled "The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General" (2006), the US Surgeon General summarised conclusions from previous US Surgeon General's reports concerning health risks to non-smokers from exposure to environmental tobacco smoke, also called second-hand smoke. The US Surgeon General also addressed health risks to non-smokers from exposure to environmental tobacco smoke in reports published in 2010, 2014 and 2020. These reports could form the basis of, or be used to support, additional litigation against cigarette manufacturers, including against the Group.

Other than as noted below, before 2007 the Group had not sold cigarettes in the US, the jurisdiction with the greatest prevalence of smoking and health-related litigation. However, three subsidiaries, Reemtsma, SEITA and Altadis, sold relatively small quantities of cigarettes and/or fine cut tobacco in the US domestic market up to 1999, 2005 and 2004, respectively. In 2007 and 2008, respectively, the Group acquired Commonwealth Brands and Altadis Group, both of which were and are manufacturers and sellers of tobacco products in the US. The cigarette brands acquired pursuant to the 2015 US Acquisition were acquired without historic product liabilities and an indemnity in respect of any liabilities relating to the period prior to completion of the deal was provided by Reynolds.

In respect of state health care costs, Commonwealth Brands, SEITA, ITG Brands, ITL and several other affiliates of the Group are signatories to the Master Settlement Agreement (the **MSA**) in the US, which is an agreement between tobacco manufacturers and 46 US states, the District of Columbia and five US territories, and which imposes substantial payment obligations on those manufacturers. In 1998, Philip Morris USA (as successor to Philip Morris Incorporated), RJR Tobacco, Brown & Williamson Tobacco Corporation and Lorillard (the **Original Participating Manufacturers** or **OPMs**) entered into the MSA to settle asserted and unasserted health care cost recovery actions and other claims of those states that were a party to the MSA (the **Settling States**). The OPMs had previously settled similar claims brought by Mississippi, Florida, Texas and Minnesota (the **Initial State Settlements** and, together with the MSA, the **State Settlement Agreements**). The State Settlement Agreements provide that the agreements are not admissions, concessions or evidence of any liability or wrongdoing on the part of any party, and were entered into by the OPMs to avoid the further expense, inconvenience, burden and uncertainty of litigation.

Smaller companies were also permitted to join the MSA as Subsequent Participating Manufacturers (or **SPMs** and, together with the OPMs, the **PMs**) even though most of them had not been party to the original actions by the states. Commonwealth Brands became an SPM in 1998, with SEITA and ITG Brands becoming SPMs in 1999. In November 2007, the Group received confirmation that the application of IB and of several affiliated companies to become SPMs to the MSA had been approved.

On 12 June 2015, ITG Brands joined the Mississippi State Settlement Agreement with respect to certain of ITG Brands' cigarettes in the US acquired through the 2015 US Acquisition. Subsequently, ITG Brands also joined the Minnesota and Texas State Settlement Agreements. ITG Brands and certain of its affiliates have agreed to make payments under the MSA and the Mississippi, Minnesota and Texas State Settlement Agreements, and payments are made for certain of their products under the equity fee statutes in Mississippi, Minnesota and Texas.

The State Settlement Agreements require that the PMs make significant annual payments, which in 2021 amounted to approximately US$8.3 billion. In addition, certain of the PMs (not including ITG Brands and its affiliates) are required to pay settling plaintiffs' attorneys' fees, subject to an annual cap of US$500 million, and were required to pay an additional amount of up to US$125 million in each year to 2008. These payment obligations are several and not joint obligations of each PM. Annual payments are required to be paid in perpetuity and are subject to adjustment for several factors, including inflation, domestic market share and unit volume and (for some manufacturers and brands) industry and individual company operating profits, with respect to the MSA, in the year preceding the year in which payment is due, and, with respect to the other State Settlement Agreements, in the year in which payment is due. The State Settlement Agreements also include provisions relating to significant advertising and marketing restrictions, public disclosure of certain industry documents, limitations on challenges to tobacco control and underage use laws, and other provisions.

From time to time, lawsuits have been brought against PMs to the MSA, or against one or more of the Settling States, challenging the validity of the MSA and/or statutes related to it on certain grounds, including as a violation of the antitrust laws.

NPM Adjustment Disputes: The MSA includes an adjustment mechanism, known as a non-participating manufacturer (**NPM**) adjustment, which potentially reduces PMs' annual MSA payment obligations. In order for an NPM adjustment to be made, an independent auditor must determine that the PMs have experienced a market share loss to those manufacturers who are not participants, and an independent firm of economic consultants must determine that the MSA was a significant factor contributing to that loss. The adjustment is then allocated among the Settling States according to whether they "diligently enforced" statutes known as "Qualifying Statutes". Although, for each year from 2004 to 2019 inclusive, the two requirements for application of the adjustment have been fulfilled (some through settlement), the relevant Settling States dispute that any adjustment is required on the basis that they "diligently enforced" the "Qualifying Statutes". This dispute is continuing and encompasses an NPM adjustment for 2020 and 2021 as well. The states and manufacturers have completed arbitration over the 2003 NPM adjustment and state-court challenges to certain of the arbitrators' decisions have been resolved, reducing the recovery by approximately 50 per cent. Arbitration over the 2004 NPM adjustment commenced in 2016 and is continuing. Initial hearings for all states have been completed, with the parties waiting for an initial decision on one state, New Mexico, and for the arbitration panel to resolve issues regarding allocation of any liability in light of the settlements discussed below. Two states that were found non-diligent, Washington and Missouri, have also filed challenges to those findings, with Washington's challenge initially rejected by its state trial court (and now on appeal) and Missouri's challenge still pending before the state court and the arbitration panel. The proceedings regarding 2003 and 2004 in the state of Montana, which was not required by its courts to arbitrate the adjustment, have been resolved. On 13 April 2020, ITG Brands and Commonwealth Brands, Inc. (**CBI**) received notice that Montana had initiated a litigation in its state court on 10 April 2020 with respect to these disputes, naming ITG Brands and CBI as well as the other PMs to the MSA. Montana sought release of all funds deposited in the Disputed Payments Account for its allocable share of the NPM adjustment from 2005 of approximately US$43 million. It also sought unquantified penalties pursuant to Montana's False Claims Act, claiming that the manufacturers had no basis on which to dispute MSA payments due Montana, as well as treble damages, punitive damages and attorneys' fees. That litigation has now been resolved, with a settlement addressing future years for the NPM Adjustment through 2030 as well. The arbitration for 2005 to 2007 has commenced, with discovery currently in progress and a hearing on issues common to all states set for July 2022. On 25 March 2022, ITG Brands and CBI received the 30-day advance notice of potential litigation from Iowa regarding the NPM adjustment, but no litigation has yet been filed.

Approximately US$13 million was recovered on the 2003 NPM adjustment in the form of credits to MSA payments. The potential recovery on the 2004 to 2021 adjustments for states with which the manufacturers have not settled is unquantifiable at present.

The manufacturers have now resolved by settlement the NPM adjustments for the disputed years with 37 states representing approximately 80 per cent of the MSA share. Commonwealth Brands and ITG Brands have received substantial credits under these settlements with additional credits due or possibly due in the future. At this stage in the proceedings, approximately US$202 million has been recovered on the NPM adjustment arbitrations and settlements in the form of credits to MSA payments. The NPM adjustment settlement is an

ongoing claim by a number of manufacturers and estimates of future credits on settled claims are subject to change depending upon a number of factors included in the calculation of the credits.

Dispute in relation to the Previously Settled States Reduction: The MSA also includes a downward adjustment mechanism, known as the previously settled states reduction (the **PSS Reduction**), which reduces aggregate payments made by Philip Morris USA, Reynolds and ITG Brands by a specified percentage each year. California, later joined by the remainder of the MSA states and by Philip Morris USA, challenged the application of the PSS Reduction to ITG Brands for every year from 2016 forward, claiming that it cannot apply to ITG Brands since ITG Brands had not been making settlement payments to Florida, Minnesota or Texas under their State Settlement Agreements. The independent auditor to the MSA, which initially addresses disputes related to payments, has rejected that challenge every year. It is possible that one of the parties making the challenge will seek to arbitrate the claim under the MSA. The PSS Reduction provides annual MSA payment reductions of about US$65 million. The parties have resolved Philip Morris USA's related claim under the MSA, challenging ITG Brands' right to receive the PSS Reduction, as such claim relates to Minnesota and Texas.

State Settlement disputes in relation to the 2015 US Acquisition: As required by the MSA, ITG Brands agreed in the Asset Purchase Agreement relating to the 2015 US Acquisition (the **Asset Purchase Agreement**) to assume, and did assume, payment responsibility for the *Winston*, *Salem*, *Kool* and *Maverick* brands under the MSA. As there was no similar requirement in the other State Settlement Agreements with Mississippi, Florida, Texas and Minnesota, ITG Brands agreed in the Asset Purchase Agreement to use its "reasonable best efforts" to reach agreement with those states to become a party to those settlements, subject to certain conditions. ITG Brands became a party to the Mississippi State Settlement Agreement with respect to the acquired brands effective 12 June 2015 and has been making settlement payments to Mississippi on the acquired brands since that date. Notwithstanding its reasonable best efforts to do so, ITG Brands did not become a party to the Florida, Texas or Minnesota State Settlement Agreements as at the closing of the 2015 US Acquisition.

In July 2015, Philip Morris USA filed a challenge to ITG Brands' joinder in the Mississippi State Settlement Agreement for certain of its US brands. Philip Morris USA agreed that it is appropriate for ITG Brands to join the agreement but disagreed with certain of the joinder provisions addressing a downward profit adjustment under the settlement, claiming that they adversely affect Philip Morris USA and were entered without notice to it or its consent. The state of Mississippi opposed the motion along with ITG Brands. The state trial-level court denied the motion in December 2015, finding that Philip Morris USA was not entitled to notice of the joinder because it was not affected by it. Philip Morris USA appealed that decision, but later dropped the appeal. On 26 December 2018, Philip Morris USA filed a new motion in Mississippi challenging the basis on which Reynolds and ITG Brands had allocated the "base year" profit for the acquired brands between them arguing that it adversely affects Philip Morris USA. The base year profit affects the calculation of the downward profit adjustment to payments under the Mississippi and other State Settlement Agreements. Philip Morris USA claims that adjustment of the base year should lower its payments under the profit adjustment and increase Reynolds' payments. A trial was set for 3-6 May 2021. ITG Brands is indemnified by Reynolds for profit adjustment payments to the extent that its annual profits do not exceed a specified amount. In June 2021, the parties resolved this Mississippi litigation with an agreement to set the base year amount at US$860 million, plus inflation, and the court dismissed Philip Morris USA's motion on 11 June 2021. ITG Brands also received agreed-upon attorney's fees from Reynolds as part of the settlement.

In January 2017, Philip Morris USA and Florida filed motions in the court administering the Florida settlement payments to enforce the settlement against Reynolds and/or ITG Brands. They claimed, alternatively, that Reynolds continued to owe settlement payments on the transferred brands and that ITG Brands was a successor or assign to Reynolds' payment obligations under the Florida State Settlement Agreement and, thus, ITG Brands owed settlement payments of approximately US$30 million per year from 12 June 2015 onwards. Philip Morris USA and Florida also challenged the way in which the profit adjustment to settlement payments was calculated. A trial was held on 19 to 21 December 2017. On 27 December 2017, the Florida court issued an order denying Florida's and Philip Morris USA's motions with respect to ITG Brands, but granting them with respect to Reynolds. The court found that ITG Brands was not a successor or assign to obligations under the Florida State Settlement Agreement and did not owe Florida any payments under it as a result of the transfer of the acquired brands to ITG Brands. It also found that Reynolds continued to be liable for settlement payments on the acquired brands. On 29 July 2020, the intermediate Florida appellate court affirmed. Reynolds asked the court

for reconsideration and for permission to appeal to the Florida Supreme Court. On 18 September 2020, the intermediate appellate court denied that motion. On 18 October 2020, Reynolds asked the Florida Supreme Court directly to permit it to appeal. On 18 December 2020, the Florida Supreme Court denied Reynolds' petition for a further appeal. Florida sought settlement payments on the acquired brands of approximately US$127 million, plus interest, plus future annual payments based on market share of approximately US$26 million. The Florida court's decision that Reynolds, not ITG Brands, must make these settlement payments to Florida is now final and unappealable and Reynolds is making the payments. Reynolds has asked the Delaware court having jurisdiction over disputes under the Asset Purchase Agreement to order the Group to indemnify it for those obligations, in the proceeding described further below.

In March 2018, Minnesota filed a complaint and motion and Philip Morris USA filed a motion in the court administering the Minnesota settlement payments to enforce the Minnesota State Settlement Agreement against Reynolds and/or ITG Brands. Minnesota's and Philip Morris USA's claim, like in Florida above, was that either Reynolds continues to be liable for settlement payments for the acquired brands or that ITG Brands becomes liable for settlement payments as a result of the acquisition of brands under the 2015 US Acquisition. They also raised the same issues regarding the profit adjustment that were raised in Mississippi and Florida. The complaint and motion to enforce were consolidated. ITG Brands' response to the complaint was filed on 8 June 2018 and a scheduling order governing the case was entered on 22 June 2018. Minnesota, Philip Morris USA and ITG Brands filed dispositive motions, with Minnesota and Philip Morris USA seeking a determination that either Reynolds or ITG Brands must pay settlement payments to Minnesota, and ITG Brands seeking a determination that it has no liability for settlement payments to Minnesota. In September 2019, the court held that Reynolds is required to make settlement payments, and further denied claims that ITG Brands is a successor or assign with liability to make settlement payments as a matter of law. However, the court also ruled that there was a further decision of fact required on whether ITG Brands used its "reasonable best efforts" under the Asset Purchase Agreement to join the Minnesota State Settlement Agreement, which would determine whether ITG Brands is liable or not. ITG Brands asked the court to permit an immediate, interim appeal rather than waiting until the end of the case, but that motion was denied. The Minnesota court set an evidentiary hearing on the "reasonable best efforts" question for 31 August and 1-2 and 9 September 2020. Post-trial briefing and proposed findings of fact and conclusions of law were submitted on 13 November 2020, but the case was resolved before any decision was entered. The parties settled the litigation in Minnesota, with the court ordering dismissal of the claims with prejudice on 17 March 2021 and with ITG Brands being a party to the settlement as an assign of Reynolds effective 12 June 2015. Minnesota sought settlement payments on the acquired brands of approximately US$58 million, plus interest from 12 June 2015 forward, plus future annual payments of approximately US$13 million, and Philip Morris USA sought additional amounts related to a portion of the payment calculation affecting Philip Morris USA. In the settlement, ITG Brands paid US$28 million with respect to the claims from 12 June 2015 forward, and Reynolds paid US$52 million. ITG Brands paid approximately US$13 million on 31 December 2021 and will continue to pay an estimated US$13 million each year thereafter.

On 28 January 2019, Texas, the other state with a separate State Settlement Agreement that is not part of the MSA, filed a motion to enforce its State Settlement Agreement in the federal district court with continuing jurisdiction over the settlement, claiming that Reynolds and/or ITG Brands must make settlement payments on the acquired brands, along with a motion to join ITG Brands as a party to the settlement litigation. Philip Morris USA filed a similar motion to enforce (also raising its profit adjustment issues) and joined Texas's motion to join ITG Brands as a party. Texas also claimed that if ITG Brands does not make settlement payments, increased fees (along with interest and substantial penalties) are due on the acquired brands for 2015 to 2019 under Texas's equity fee law. On 1 April 2019, Texas changed ITG Brands' classification under Texas's equity fee law, thereby increasing the fees that distributors of the acquired brands must pay with respect to sales in Texas by almost 300 per cent. On 17 April 2019, ITG Brands filed a new litigation in the federal district court with respect to the Texas State Settlement Agreement and the related equity fee issues, including the reclassification of ITG Brands for purposes of equity fee payments. ITG Brands also sought temporary injunctive relief suspending the change in its equity fee classification pending resolution of that suit. On 22 May 2019, the court joined ITG Brands as a party to the original litigation, and ordered the parties to submit proposals for discovery with completion in 60 days. On 6 June 2019, the court dismissed three of ITG Brands' counts in the new litigation without prejudice in favour of the original litigation. It stayed ITG Brands' fourth count (alleging lack of due process when Texas changed ITG

Brands' equity fee classification). The court also denied without prejudice ITG Brands' petition for temporary injunctive relief, finding that its damages were monetary and indicating that it was issuing relief in reliance on the assurance of Texas that ITG Brands could obtain refunds in Texas courts for amounts it reimbursed distributors for the fees. On 25 February 2020, the court denied the motions to enforce the Texas State Settlement Agreement as to ITG Brands but granted them as to Reynolds, finding that Reynolds has continuing liability to Texas for settlement payments with respect to the transferred brands but that any issues regarding ITG Brands' liability were for the Delaware court to decide under the Asset Purchase Agreement. On 5 May 2020, the court entered a judgment. The judgment further held that Reynolds' settlement payments on the acquired brands would be reduced by an offset for statutory fees paid by or for ITG Brands under the Texas equity fee law. The statutory fees had been collected from ITG Brands' distributors since June 2015 when ITG Brands acquired the transferred brands, with ITG Brands reimbursing distributors for most of the fees paid. Both Texas and ITG Brands asked the court to remove the portion of its judgment reducing Reynolds' settlement payments by the statutory payments. The court denied those motions on 14 August 2020. The court further held that the judgment regarding Reynolds was final and appealable, but that the holding regarding ITG Brands' liability was not yet final until further actions from the Delaware and/or Texas courts. Reynolds appealed the judgment against it. ITG Brands and Texas both also appealed, noting disagreement with the offset for statutory fees. On 5 October 2020, Reynolds moved to dismiss ITG Brands' appeal (but not Texas's) on the basis that the judgment is not final as to ITG Brands and does not injure it. ITG Brands opposed the motion on 15 October 2020. On 22 December 2020, the court ordered the motion "carried with the case" to be decided along with the merits. Initial briefs on the merits were filed on 2 November 2020. A settlement agreement was signed on 21 May 2021. The parties submitted joint papers seeking dismissal of all pending proceedings on 27 May 2021. The pending appeal was dismissed on 28 May 2021. The primary trial court litigation in which Texas and Philip Morris USA filed their motions to enforce the settlement was dismissed with prejudice on 27 September 2021, with ITG Brands being a party to the settlement as an assign of Reynolds effective 12 June 2015. The separate challenge filed with respect to equity fee issues by ITG Brands was dismissed with prejudice on 25 January 2022. Texas sought settlement payments on the acquired brands from and after 12 June 2015 of approximately US$167 million, plus interest, plus future annual payments based on market share of approximately US$36 million, and alternatively sought approximately US$173 million, including penalties and interest, in statutory fees. ITG Brands paid US$13.5 million in settlement payments (net of amounts accrued and statutory fees already paid) for 12 June 2015 and thereafter and Reynolds paid US$190 million. ITG Brands paid approximately US$3 million in addition to amounts already accrued on 31 December 2021 and will continue to pay an estimated US$3 million each year thereafter.

ITG Brands and Reynolds have been also engaged in litigation in Delaware with respect to whether ITG Brands satisfied its obligation under the Asset Purchase Agreement to use its "reasonable best efforts" to join the State Settlement Agreements with Florida, Minnesota and Texas and whether ITG Brands is required to indemnify Reynolds for amounts other courts may request Reynolds to pay. On 30 November 2017, on cross-motions by Reynolds and ITG Brands, the Delaware court held that the "reasonable best efforts" provision did not automatically terminate due to the 2015 US Acquisition closing. It further determined that the duty of "reasonable best efforts" was not perpetual and that whether ITG Brands complied with its relevant obligation is a question of fact that the court has not decided. On 23 September 2019, the Delaware court denied a motion by Reynolds to hold ITG Brands liable under other indemnity provisions of the Asset Purchase Agreement for Reynolds' liability under the Florida decision, and granted Reynolds' motion that one of the conditions to reaching agreement on joinder related to equity taxes did not apply in Florida. On 31 October 2019, the trial court denied ITG Brands' motion for immediate appeal, with the Delaware Supreme Court denying the same motion on 7 November 2019. Reynolds originally sought indemnification for all amounts it might be required to pay in settlement for the acquired brands in the Florida, Minnesota and Texas litigations described above. The portions of the Delaware dispute that related to Minnesota and Texas have now been settled and dismissed. Reynolds' claim for indemnification in Delaware is currently limited to the amounts it has been required to pay under the Florida determination described above, plus interest and attorney's fees. ITG Brands denies that indemnity is appropriate, and further contends that, if Reynolds were to be granted indemnity, any amounts due to it should be substantially reduced by the amount by which Reynolds' settlement payments have been reduced through operation of the profit adjustment by reason of ITG Brands not becoming a party to the Florida settlement. On 20 August 2021, Reynolds filed an amended counterclaim, which ITG Brands answered on 9 September 2021. The parties completed

additional discovery and the motions summary judgment were fully briefed. The argument on summary judgment was held on 17 May 2022, and a four-day trial, if necessary, will be held starting on 8 September 2022.

Other US litigation

On 12 June 2015, ITG Brands became a party for purposes of remedies and became subject to a remedial order in *United States v. Philip Morris USA, Inc.*, No. 99-2496 (GK) by the US District Court for the District of Columbia. In the suit, the federal government sued certain of the US tobacco companies (not including ITG Brands) alleging violations of the federal Racketeer Influenced and Corrupt Organizations Act. In 2009, the trial court found for the government and imposed remedial remedies on Reynolds and Philip Morris USA, among others. The remedial order, after some alteration on appeal, remains in place. Under the terms of the order, ITG Brands was required to become subject to that order and to the federal court's jurisdiction as a condition of acquiring certain brands from Reynolds. The order imposes certain conduct and disclosure requirements, enforceable by injunctive relief, but no monetary liability. One conduct requirement contained in the order is the publication of "corrective statements" regarding tobacco and smoking on various media. On 18 June 2018, ITG Brands published the corrective statements on its corporate website and two branded websites, for *Winston* and *Kool*. Starting on 21 November 2018 and continuing six times over the next two years, ITG Brands shipped products with "onserts" bearing the corrective statements on the packaging, with onserts being placed on shipments of two weeks' estimated annual volume of product. The federal court is currently considering whether to require the applicability of additional corrective statements in retail stores. An evidentiary hearing on the issue was set for June and July 2022, but it was cancelled when the parties outlined proposed general terms for a settlement, which is still subject to final agreement and documentation. A hearing regarding the settlement, including for retailers to present any objections to it, has been set for 28-29 July 2022.

Fontem US was named as a defendant in the case of *Petrucci v. 7-Eleven Distribution Company, et al.*, filed in the Superior Court of the State of California for the County of Los Angeles, Central District (Case No. BC695450). The original and amended complaints in this case named 17 defendants, in addition to Fontem US. The claimants sought recovery of money damages, including punitive damages, against all defendants based on the claim that the principal claimant, Edith Anne Petrucci, developed a lung condition as a result of her use of e-cigarette and other vaping devices, including those manufactured by Fontem US. The original complaint asserted claims against all defendants styled as eight causes of action as follows: negligence; strict liability - failure to warn; strict liability - design defect; fraudulent concealment; intentional misrepresentation; negligent misrepresentation; breach of implied warranties; and loss of consortium (asserted on behalf of claimant Robert Petrucci). A number of defendants, including Fontem US, filed demurrers to the original and first amended complaints, which were sustained in October 2018 and January 2019. The second amended complaint contained the same eight causes of action, seven of which were asserted against Fontem US. Fontem US filed demurrers to three of those causes of action, and other defendants also filed demurrers. Fontem US' demurrer was heard in August 2019, and was granted as to the intentional and negligent misrepresentation claims and denied as to the fraudulent concealment claim, which remained pending against all remaining defendants. Fontem US' answer to the second amended complaint was filed in October 2019. The court set a trial date of 1 February 2021. The court also ordered that the parties conduct in-person settlement discussions in advance of a post-settlement status conference scheduled for 22 October 2020. Subsequently, Fontem US agreed to provide representation and indemnity to defendant Costco Wholesale Corporation (**Costco**), the retailer from which the claimant allegedly purchased *blu* products. Costco also filed an answer to the second amended complaint. The court set a trial date of 1 November 2021. A mediation took place on 7 December 2020 but did not resolve the matter. Since the mediation, Fontem US and other defendants continued to conduct fact discovery in anticipation of trial, while also continuing to negotiate with the claimants to resolve the matter prior to trial. In August 2021, these continued negotiations resulted in an agreement by Fontem US and the claimants to settle this matter (which includes dismissal of the claims against Costco). The terms of the settlement agreement are confidential and the case is now considered fully settled.

Fontem US, Fontem Ventures and IB were named as defendants in the case of *Peoria Public Schools District 150 et al. v. JUUL Labs, Inc., et al.*, filed on 15 May 2020 in the US District Court for the Northern District of California, San Francisco Division (Case No. 3:2020cv03321). The complaint named 15 defendants, including the Fontem and Imperial defendants identified above. The plaintiffs, four school districts within Illinois, sued a number of e-cigarette manufacturers seeking the recovery of monetary damages, including compensatory and

punitive damages, and other relief against all defendants. The plaintiffs claimed that they were injured as a result of increased teen use of e-cigarettes and vaping devices due to alleged improper marketing of those products to youth, among other allegations. The plaintiffs' complaint alleged nine causes of action: public nuisance; civil conspiracy; consumer fraud and deceptive practices; deceptive acts and practices violation; breach of implied warranties; negligent misrepresentation; negligence; common law fraud; unjust enrichment/restitution. All of the claims were asserted against the Fontem and Imperial defendants except civil conspiracy, which was asserted against only the JUUL and Altria defendants. This matter closed by way of voluntary dismissal by the plaintiffs in 2020 and is no longer pending against any of the defendants.

On 13 October 2020, a case was filed in the US District Court for the Southern District of New York (Case No. 20cv8517). The case was filed on behalf of Doreen and Albert Toth against Fontem US, ITG Brands and nine other defendants. On 1 December 2020, the plaintiffs amended their complaint to include parent companies for each of the target manufacturers, including IB. On 22 January 2021, the plaintiffs dismissed their claims against IB, ITG Brands and several other defendants without prejudice in exchange for a tolling agreement and assurances that Fontem US is the appropriate defendant for claims involving the *blu* brand. The plaintiffs seek recovery of money damages, including treble damages and punitive damages, against all defendants based on the claim that Mrs. Toth became addicted to, and was otherwise harmed as a result of her use of, e-cigarettes and other vaping devices, including those manufactured by Fontem US. The complaint alleges causes of action including negligence, defective design, failure to warn, false advertising and unjust enrichment.

On 5 February 2021, the case was transferred over Fontem US's objection into a multi-district litigation, *In re: JUUL Labs, Inc., Marketing, Sales Practices, and Products Liability Litigation*, created to manage hundreds of cases filed on behalf of individuals (both individually and as putative class action representatives), states, counties, school districts, and other entities against defendant JUUL Labs, Inc. and others for alleged illegal and improper marketing and sales practices related to e-cigarettes. On 1 March 2021, the plaintiffs filed a short-form complaint, adding additional defendants and causes of action and incorporating by reference the allegations and claims in their amended complaint of 1 December 2020. Pursuant to various case management orders, the deadline for responsive pleadings are stayed indefinitely.

ITG Brands has been named in various product liability claims and lawsuits asserted in the state courts of Massachusetts. This litigation involves claims by individual plaintiffs, based upon their personal smoking history. ITG Brands has the benefit of an indemnity from Reynolds in respect of any part of these individual claims and lawsuits relating to the use of *Winston*, *Kool*, and *Maverick* cigarettes. Based upon the indemnity by Reynolds, plaintiffs' counsel in all pending Massachusetts cases and claims involving ITG Brands have agreed to refrain from naming ITG Brands as a defendant in smoking-related cases until 13 June 2023, when Reynolds' indemnification obligations to ITG Brands pursuant to the 2015 US Acquisition end. One firm that brought suit on behalf of plaintiffs Jacqueline and Francis Desisto in 2019 naming ITG Brands as a defendant has not yet joined the referenced agreement; however, *Desisto*, the sole case brought by that plaintiffs' firm, was dismissed as to all parties shortly after filing. As part of the agreement not to sue ITG Brands described above, plaintiffs' counsel have dismissed ITG Brands without prejudice from all pending Massachusetts state court cases or, alternatively, have agreed in cases where the plaintiff has died to omit ITG Brands from the amended complaint when it is filed by the estate administrator. This agreement with plaintiffs has resulted in ITG Brands' dismissal without prejudice in six Massachusetts state court cases, including those brought by plaintiffs Alfred Federico, Cheryl Brightman, Billie Ann Brown, Deborah MacNeil, Edwin Bonelli and Richard McCurran. The Federico and Brown cases have since been dismissed as to all parties. Based on the indemnity agreement, plaintiffs' counsel has agreed to omit ITG Brands in the amended complaints to be filed by the estate administrators of three plaintiffs who have died since their lawsuits were filed, including Cheryl Harris, Walter Raleigh and Jeanne Quinn. Each of those three cases has since resolved by verdict or dismissal, without involvement of ITG Brands. ITG Brands was also not named in lawsuits filed by plaintiffs in five Massachusetts state court cases in which *Winston*, *Kool*, *Salem* and/or *Maverick* cigarettes use was alleged, including lawsuits filed by plaintiffs Michael Zonak, Philip DeRoo, Reuben Lee, Gloria Waters and Jean Restani/Leslie Power. Finally, claimants Frances LaPointe and Katherine Fowler, who pursued pre-suit discovery, have not filed lawsuits in Massachusetts state court in furtherance of their claims. In her claim, Ms. LaPointe had also alleged that she smoked *Montclair* cigarettes. Commonwealth Brands has the benefit of an indemnity from Reynolds (the successor in interest to Brown & Williamson) that would cover any claim in respect to *Montclair* cigarettes between 1955 (when the claimant Ms.

LaPointe began smoking) and 1996 (when Commonwealth Brands purchased the *Montclair* brand from Brown & Williamson).

IB has been named as a defendant in a civil action filed on 6 August 2020 in federal court in Miami, Florida, under Title III of the Cuban Liberty and Democratic Solidarity Act of 1996 (**Helms-Burton**). Title III provides US nationals with a cause of action and a claim for treble damages against persons who have "trafficked" in property expropriated by the Cuban government. Title III is largely untested because it did not come into effect until May 2019. Treble damages are automatically available under Helms-Burton. Although the filed claim is for unquantified damages, management understands that it could potentially reach approximately US$365 million, based on the claimants' claim to own 90 per cent of the property, which they value at US$135 million and then treble. The claim is based on allegations that IB, through Corporación Habanos S.A. (a joint venture between one of IB's now former subsidiaries and the Cuban government), has "trafficked" in a factory in Havana, Cuba, that the Cuban government confiscated from the claimants' ancestors in the early 1960s, by using the factory to manufacture, market, sell and distribute cigars. At the time the claim was filed against IB and up until the conclusion of the Brexit transition period on 31 December 2020, IB was subject to an EU law known as the EU Blocking Statute (Regulation (EC) No. 2271/96) (the **EU Blocking Statute**), which conflicts with Helms-Burton, protected IB against the impact of Title III and impacted how IB might respond to the litigation. The EU Blocking Statute has now been transposed into UK domestic law with only minimal changes. Accordingly, on 10 January 2021, IB submitted an application to the UK Department for International Trade for authorisation from the UK Secretary of State for International Trade to defend the action or, at a minimum, to file and litigate a motion to dismiss the action. On 8 February 2021, the UK Secretary of State for International Trade authorised IB to file and litigate a motion to dismiss the action. On 26 February 2021, IB filed a motion to dismiss the action. The claimants amended their claim in March 2021 and IB filed a motion to dismiss the amended complaint in April 2021. The claimants requested and were granted permission to amend their claim for a second time, and IB filed a motion to dismiss the second amended complaint in April 2022. The motion to dismiss the second amended complaint was fully briefed by 13 June 2022, an oral hearing is scheduled to take place on 26 July 2022 and the court will subsequently make a decision on the motion to dismiss. In the event the motion to dismiss is denied, the court has set a schedule for further proceedings, with trial commencing in July 2023. As IB's present authorisation from the UK Secretary of State for International Trade is limited to filing and litigating a motion to dismiss, in April 2022, IB renewed its application for authorisation from the UK Secretary of State for International Trade to defend itself fully in the action. At the same time, in April 2022, IB sought a stay of discovery while its motion to dismiss the complaint is pending, which was granted on 25 May 2022.

Separately, two other groups of prospective claimants have indicated that they intend to file a lawsuit against IB in federal court in Miami, Florida. Neither claim has been filed. The threatened claims relate to other properties in Cuba, which the prospective claimants claim were confiscated from their ancestors by the Cuban government in the 1960s and which they claim are now used by Corporación Habanos S.A. for commercial activities. The prospective claimants claim to be entitled to treble damages from IB.

Litigation in Argentina

In January 2016, SEITA was notified of a claim filed with a civil court of Buenos Aires against Nobleza, a subsidiary of BAT, by an individual seeking redress for damages suffered as a consequence of smoking. SEITA is not a party to the claim and BAT has denied liability. Historically, BAT manufactured and distributed two brands of cigarettes owned by SEITA in Argentina under the terms of a licence agreement. BAT has sought to invoke an indemnity contained in the licence agreement, pursuant to which SEITA is responsible for any product liability to third parties. The amount claimed is 8,980,200 Argentine pesos, plus interest, costs and legal expenses. An adverse first instance judgment was received in December 2020 awarding the claimant 3,185,976 Argentine pesos (approximately £21,000) in damages, plus interest and costs. Both parties have appealed the first instance judgment. After various procedural delays, the case dossier was forwarded to the Court of Appeal in May 2022. The parties are expected to file arguments supporting their appeals during June and July 2022. The appeal decision is not expected before autumn 2022.

Product liability litigation relating to the assets acquired pursuant to the 2015 US Acquisition

Certain members of the Reynolds group of companies and certain members of the Lorillard group of companies were or are, in respect of the cigarette brands acquired as part of the 2015 US Acquisition, subject to

ongoing, pending and threatened product liability proceedings in the US, including: individual claims alleging personal injury or death; class actions alleging personal injury or requesting court-supervised programmes for ongoing medical supervision and monitoring; claims brought to recover the costs of providing health care; and claims in relation to the labelling of products as "light" or "ultra-light". However, as these brands were acquired without historic product liabilities, these proceedings and the respective quantum of such claims are not described in further detail in this Offering Memorandum. Litigation related to the State Settlement Agreements and the 2015 US Acquisition are described above.

Other Litigation

Litigation in Morocco

A number of cases have been raised against Société Marocaine des Tabacs S.A. (**SMT**), a Group subsidiary, disputing a reduction to retirees' pensions. These cases have been in the courts for several years and SMT has successfully defended many of them in the lower courts. A total of 168 cases have been reviewed by the Cour de Cassation (Supreme Court) in Morocco, and it is understood that they have been decided against SMT and in favour of retirees. To date, SMT has filed retractions proceedings against 14 of these decisions.

The written reasoned judgments of the Cour de Cassation have not been received by SMT as at the date of this Offering Memorandum. Furthermore, the judgments in favour of the retirees reportedly relate to unquantified claims. Because of this, it is not possible to assess the impact of the decided cases on the remaining cases within the Moroccan courts. SMT continues to rigorously defend its position.

Insurance

The Group maintains the types and amounts of insurance that are customary for businesses in the sectors and geographic regions in which it operates, including insurance for property damage and business interruption, transit, public and products liability, cyber and directors and officers liability. The Group considers its insurance coverage to be adequate, given the financial strength and business contingency plans of the Group.

Property

As at 30 September 2021, the Group owned 31 manufacturing sites on a freehold or long leasehold basis to source, cut, blend and warehouse tobacco and to produce and manufacture its cigarettes, fine cut tobacco, cigars, snus, rolling papers and other products. In addition, the Group occupies several rented factories and dedicated warehousing sites, which may be owned leased or rented. Management believes that the Group's principal manufacturing sites are adequate for their purpose and are at present substantially utilised in line with their nature and function. In most instances, the Group's facilities are operating below their estimated maximum capacity output.

In the context of an ongoing review of its manufacturing footprint in order to maximise efficiencies, in the last few years, the Group has closed a number of cigarette, fine cut tobacco and cigar factories, including its factories in Trossingen, Germany, and Wellington, New Zealand. During the year ending 30 September 2022, the Group also expects to complete the transfer of the La Romana factory in the Dominican Republic as part of its sale of Premium Cigars. In response to the Russian invasion of Ukraine, the Group temporarily suspended its operations in Ukraine, including its Kyiv factory, on 24 February 2022. In April 2022, the Group resumed certain of its operations in Ukraine. On 9 March 2022, the Group also suspended all operations in Russia, including halting production at its factory in Volgograd. On 20 April 2022, the Group announced that it had agreed the transfer of its Russian operations, including a sales and marketing business and its Volgograd factory, as a going concern to a local third party. The transaction successfully completed on 27 April 2022. See also "— *Manufacturing and Supply Chain*" above.

Details of certain of the largest manufacturing sites of the Group supplying its five most profitable markets (the US, Germany, the UK, Australia and Spain) are set out below:

Location	Principal use	Manufacturing capacity
Langenhagen, Germany....	Factory - Cigarettes, fine cut tobacco, expanded tobacco, heated tobacco	46,000 million sticks/pouches per year

Miaoli, Taiwan	Factory - Cigarettes	19,000 million sticks per year
Greensboro, US	Factory - Cigarettes	16,000 million sticks per year
Tarnowo, Poland	Factory - Cigarettes, fine cut tobacco, expanded tobacco	47,500 million sticks/pouches per year
Radom, Poland	Factory - Cigarettes	33,300 million sticks per year

Key Subsidiaries and Associated Undertakings

A full list of the Group's key subsidiaries and associated undertakings is included in "*Related Undertakings*" in the 2021 Financial Statements.

Joint Ventures

A full list of the Group's key joint ventures is included in "*Related Undertakings—Joint Ventures: Incorporated Overseas*" in the 2021 Financial Statements.

Sustainability and ESG

The Group's sustainability strategy is central to the long-term success of its business and underpins its drive to create shared value for its stakeholders. The Group remains committed to reducing its environmental footprint, collaborating with stakeholders to make a positive social impact and maintaining high standards of governance. To underscore the Group's continuous ESG focus and ensure alignment of its ESG priorities to the new business strategy, the Group has also strengthened its ESG team. In August 2021, Tony Dunnage joined the Group as Global ESG Director, bringing more than 30 years' experience in directing end-to-end supply chain and manufacturing sustainability.

Aligned with those United Nations Sustainable Development Goals that are most relevant to its new strategy, the Group has identified the following priority ESG issues:

- **Consumer health**: The Group is committed to strengthening its NGP performance and, in doing so, to making a more meaningful contribution to harm reduction by offering adult smokers a range of potentially less harmful products. The Group has launched its heated tobacco offering *Pulze* in Greece and the Czech Republic. Its vaping product *myblu* now benefits from an enhanced route to market and communication plan in the US. The Group also has a growing oral nicotine business in the Nordics with brands like *Skruf*, and has launched a new bamboo fibre-based oral nicotine product under its *ZoneX* brand. The Group's scientific substantiation to date continues to indicate that *Pulze*, *myblu*, *Skruf* and *ZoneX* are all likely to be substantially less harmful than continued combustible cigarette smoking and provide potentially reduced risk alternatives to combustible products for adult consumers. The Group also refrains from testing its products on animals, and uses cutting-edge in-vitro technologies to test its offerings.
- **Climate change**: The Group is committed to reducing its climate and energy impact across its value chain, from crop production to manufacturing and distribution. In the period from 1 July 2020 to 30 June 2021, the Group reduced its absolute energy consumption by 17 per cent and its total greenhouse gas related Scope 1 and 2 emissions by 14 per cent compared to the 2017 baseline year. The Group has also recently made a commitment to be net zero by 2040 in line with the United Nations aim to limit climate warming to 1.5°C. As at 31 March 2022, more than 90 per cent of the Group's grid electricity was supplied by traceable renewable sources. Also, in March 2022, the Group certified its first carbon neutral factory to the PAS2060 standard with *Skruf* in Sweden. In December 2021, the Group was awarded an "A" rating by the environmental non-profit organisation CDP for its efforts to counter climate change. In February 2022, the Group was also included in the 2021 Supplier Engagement Leaderboard compiled by CDP. This is the third consecutive year that the Group has been awarded such "A" rating and named a Supplier Engagement Leader by CDP. In April 2022, the Group was also listed by the Financial Times as a climate leader for the second consecutive year.
- **Farmer livelihoods and welfare**: The Group is committed to helping to support farmers to diversify income streams in order to enhance farming community livelihoods and welfare. By investing in industry-wide collaboration through the Sustainable Tobacco Programme (**STP**), the industry-wide

sustainability initiative between manufacturers and suppliers launched in 2016, and by engaging with subject matter experts and local implementing partners, the Group strives to ensure it has the maximum impact for the tobacco farming communities within which its suppliers operate. In this context, the Group has established externally reported key performance indicators to monitor farmer livelihoods. According to the Group's strategic suppliers, in 2021, 97 per cent of the farmers contracted in high priority countries in the Group's supply chain had access to initiatives that aim to increase farm productivity and 88 per cent of the farmers in those communities are diversifying their income by growing complementary crops. A third indicator highlights the impact of projects the Group funded with its suppliers in Africa, Asia, Europe and South America aimed at improving livelihoods. In 2021, there were 130,000 direct farmer beneficiaries of such projects.

- **Health, safety and wellbeing**: The Group is committed to achieving high occupational health, safety and wellbeing standards for all of its employees. It has global procedures in place covering hazard identification, risk assessment and incident investigation. These are applicable to all locations in which the Group operates and are audited as part of the Group's internal and external audit programmes. The Group strives to continually improve safety culture to ensure workers feel empowered to always remove themselves from perceived danger. Acting promptly on near-miss reporting and providing feedback to employees is a key part of this process. Within the Group's supply chain, health and safety forms a key element of the STP, the Group's Supplier Code as well as the non-tobacco materials and NGP Supplier Qualification Programme where the Group seeks to promote the management of health and safety practices. The Group's continued focus on health, safety and risk management has resulted in a 16 per cent decline in its lost time accident rate (per 200,000 hours) in the year ended 30 September 2021 compared to the year ended 30 September 2020.

- **Human rights**: The Group is committed to raising awareness and improving processes for identifying modern slavery in its business and supply chains. It has introduced tailored and in-depth training to its managers on modern slavery and continues to develop its approach to undertaking due diligence in relation to human rights issues. At the same time, the Group has strengthened its STP activities to better respond to and measure the work its suppliers do as part of a continuing process to manage human rights. In addition, the Group has established a cross-functional human rights compliance working group and also developed a modern slavery audit module in collaboration with Slave Free Alliance, which has already been used to conduct a test pilot audit of its UK and EU facilities management provider.

- **Packaging and waste**: The Group is committed to minimising the waste associated with its products, packaging and production processes. The Group seeks to minimise the waste and waste to landfill associated with its production processes through a combined approach of reduce, reuse and recycle. During 2021, the Group trialled take-back recycling schemes in Germany and France for *myblu* pods, diverting consumer waste away from landfill. At the same time, the Group is improving packaging recyclability for its combustible brands by replacing the aluminium inner liner with paper. In the period from 1 July 2020 to 30 June 2021, the Group reduced its total waste (in tonnes) by 15 per cent compared to the 2017 baseline year. A 4 per cent increase in total waste (in tonnes) compared to 2020 is attributed to an improvement in the accuracy of measurements.

- **Sustainable and responsible sourcing**: The Group is committed to sourcing products and services in a sustainable and socially conscious way by working closely with its suppliers across its business. Sustainability strategies are integrated into the management of the Group's supply chains, through comprehensive supplier management programmes and standards. The Group expects suppliers to conduct their business in an ethical and responsible manner and comply with all applicable laws and regulations. The Group only selects and does business with suppliers who can demonstrate that they operate in a manner consistent with the Group's standards and Code of Conduct. The Group also expects suppliers to ensure that their own business partners meet similar standards.

- **Diversity, equity and inclusion**: The Group is committed to creating a diverse and inclusive working environment that reflects its consumer base and the communities in which it operates by supporting equal opportunities within the organisation. The diversity of the Group's executive leadership team and the Board reflects the Group's commitment to diversity and inclusion. The promotion of diversity within the

business through awareness campaigns, career talks, unconscious bias training and diversity celebrations highlights the importance of diversity, equality and non-discrimination to the Group, as also reflected in its Code of Conduct. At the beginning of the year ended 30 September 2021, the Group launched a global diversity and inclusion diagnostic and, as a result of the feedback therefrom, set up four global employee resource groups (representing gender, ethnicity, LGBTQ+ and disability) to further understand the issues raised and to co-create solutions. The Group is committed to building on a series of customised "Raising Awareness" learning modules in inclusion across its business. It has already provided bespoke e-learning courses in 11 languages to help its people leaders understand the issues of unconscious bias and microaggressions, and intends to roll out these courses across all layers of management.

Finally, the Group has committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures and providing additional visibility to its stakeholders on ESG progress. Full implementation of these requirements is expected in the Group's annual report for the year ending 30 September 2022.

Employees

Driving its new strategy is the new and diverse executive leadership team of the Group. Stefan Bomhard was appointed as Chief Executive Officer in July 2020, bringing significant experience across multiple consumer sectors and within large multinational organisations, particularly in brand building and consumer-led sales and marketing. His appointment was followed by those of Javier Huerta, who joined the Group as Chief Supply Chain Officer in February 2021, and Lukas Paravicini, who joined as Chief Financial Officer in May 2021. Anindya (Andy) Dasgupta joined the Group in the newly created role of Chief Consumer Officer in May 2021. A reorganisation of the Group's reporting regions led to the appointment of Kim Reed, as President and CEO of the Group's Americas region, and Paola Pocci, as President of AAA, in September 2021. This new regional structure enables a sharper focus both on the Group's largest market, the US, and the portfolio of emerging markets that have the potential to become an important future growth engine. Alison Clarke was appointed as Chief People and Culture Officer in September 2020 and Murray McGowan as Chief Strategy and Development Officer in July 2020 to further support the Group's transformation and cultural change agenda. Finally, Sean Roberts was appointed as Chief Legal and Corporate Affairs Officer in April 2022. A strengthened executive leadership team, collaborating closely with the Group's experienced functional and market leaders, means the Group now has the right blend of deep expertise of the tobacco industry and fresh ideas and perspectives from blue chip consumer goods companies, such as Nestlé, Unilever, P&G and Pepsi. See "*Directors and Senior Management*" for more information on the Group's leadership team.

The Group recognises its corporate responsibilities towards all of its employees, with the health and safety of its employees being the Group's first priority. During the COVID-19 pandemic, the Group has maintained its engagement with employees in order to identify any new or emerging concerns. Where appropriate, the Group has also been directly supporting vaccination efforts. At its factory in the Dominican Republic, the Group facilitated the vaccination of more than 3,000 people in a four-day, on-site programme organised with the local health ministry. In Laos, an on-site clinic vaccinated 111 employees and 43 family members. In 2021, the Group also launched its speaking-up platform to enhance its existing disclosure processes, offering a wide range of reporting routes and supporting anonymous reporting and feedback by employees. At the same time, the Group remains committed to ensuring that all employees have an equal chance of developing their careers within the business, by making significant changes to how it approaches diversity and inclusion and creating initiatives to raise awareness of processes and behaviours that could exclude women and marginalised groups. For five successive years, the Group has been named a "Top Employer in Europe" by the Top Employer Institute, the global authority on what makes the world's best companies to work for, while the Group's business in Taiwan has been named by HR Asia as one of the "Best Companies to Work for in Asia" for a third successive year.

The following table sets out the average number of persons employed by the Group for each of the financial years indicated, by location and business segment (rounded to the nearest 100):

	Average number of employees for the year ended 30 September		
	2019	**2020**	**2021**
UK and EU	15,500	15,100	14,700

	Average number of employees for the year ended 30 September		
	2019	**2020**	**2021**
Americas	8,200	8,400	8,000
Rest of the world	8,600	8,600	7,500
Total Group	**32,300**	**32,100**	**30,200[1]**
Tobacco & NGP	26,000	25,900	24,000
Distribution	6,300	6,200	6,200
Total Group	**32,300**	**32,100**	**30,200[1]**

Note:

(1) The average number of employees for the year ended 30 September 2021 includes 2,500 La Romana employees that are expected to leave the Group in 2022 as part of the final part of the Premium Cigars disposal. Excluding these employees, the average number of employees was 27,700 on a *pro forma* basis.

As at 30 September 2021, the total number of employees in the Group was 30,300.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors and Executive Leadership Team

The following table sets forth the members of the Board and the Company Secretary of Imperial Brands as at the date of this Offering Memorandum:

Name	Title
Thérèse Esperdy	Chair
Stefan Bomhard	Chief Executive Officer and Executive Director
Lukas Paravicini[(1)]	Chief Financial Officer and Executive Director
Sue Clark	Senior Independent Non-Executive Director
Diane de Saint Victor	Non-Executive Director
Ngozi Edozien	Non-Executive Director
Alan Johnson	Non-Executive Director
Robert (Bob) Kunze-Concewitz	Non-Executive Director
Simon Langelier	Non-Executive Director
Jon Stanton	Non-Executive Director
John Downing[(2)]	Company Secretary

Notes:
(1) Also a board member of the Issuer and ITL.
(2) Also Company Secretary of the Issuer and a board member of ITL.

The following table sets forth the members of the executive leadership team of the Group as at the date of this Offering Memorandum:

Name	Title
Stefan Bomhard	Chief Executive Officer
Lukas Paravicini	Chief Financial Officer
Anindya (Andy) Dasgupta	Chief Consumer Officer
Javier Huerta	Chief Supply Chain Officer
Murray McGowan	Chief Strategy and Development Officer
Joerg Biebernick	President of Europe Region
Kim Reed	President and CEO of Americas Region
Paola Pocci	President of Africa, Asia and Australasia Region
Alison Clarke	Chief People and Culture Officer
Sean Roberts	Chief Legal and Corporate Affairs Officer

The business address of the Directors and members of the executive leadership team of Imperial Brands is 121 Winterstoke Road, Bristol BS3 2LL, United Kingdom.

Except as otherwise indicated in the footnotes to the first table above and elsewhere in this "*Directors and Senior Management*" section, there are no existing or potential conflicts of interest between any duties of its Directors and members of executive leadership team to Imperial Brands and/or their respective private interests and other duties.

Board of Directors

Thérèse Esperdy, BA, MPPM, Chair, appointed Chair in January 2020, having previously served as Senior Independent Non-Executive Director since May 2019. Thérèse originally joined the Board in July 2016.

Committee membership: Chair of the People & Governance Committee and member of the Remuneration Committee.

Skills and experience: Thérèse has significant international investment banking experience having held a number of roles at JP Morgan, including Global Chair of JP Morgan's Financial Institutions Group, Co-Head of Asia-Pacific Corporate & Investment Banking, Global Head of Debt Capital Markets and Head of US Debt Capital Markets. She began her career at Lehman Brothers and joined Chase Securities in 1997 prior to the firm's merger with JP Morgan in 2000.

External appointments: Non-executive director and Chair of the Finance Committee of National Grid Plc, non-executive director of Moody's Corporation.

Stefan Bomhard, PhD, Chief Executive Officer and Executive Director, appointed Chief Executive Officer and Executive Director in July 2020.

Committee membership: No committee memberships.

Skills and experience: Stefan joined Imperial Brands in July 2020 from Inchcape plc, a global distribution and retail leader in the premium and luxury automotive sectors, where he delivered successful transformational change during a five-year tenure as Chief Executive Officer. Prior to his role at Inchcape, Stefan was President of Bacardi Limited's European region and was also responsible for Bacardi's Global commercial organisation and Global Travel Retail. Stefan has a PhD in marketing and has accrued significant experience in the consumer and retail sectors during his career. Previous roles have included Chief Commercial Officer of Cadbury plc and Chief Operating Officer of Unilever Food Solutions Europe. This followed senior management and sales and marketing positions at Diageo (Burger King) and Procter & Gamble.

External appointments: Non-executive director of Compass Group PLC.

Lukas Paravicini, Chief Financial Officer and Executive Director, appointed to the Board on 1 May 2021 and as Chief Financial Officer on 19 May 2021.

Committee membership: No committee memberships.

Skills and experience: Lukas has a proven track record in international consumer goods companies. Beyond his finance credentials, he has considerable operational experience as well as expertise in driving transformational change, including in global shared services in large international organisations. Lukas joined Imperial Brands from the agricultural commodities and brokerage group ED&F Man Holdings, where he was Chief Financial Officer. He has also held senior positions at Fonterra, a New Zealand and Australia listed co-operative and the world's largest dairy exporter with sales in 130 countries. He was Chief Financial Officer from 2013 to 2017 and Chief Operating Officer, Global Consumer and Foodservice Business from 2017 to 2018. Prior to that, he spent 22 years with Nestlé in various senior finance and general management roles.

External appointments: No external director appointments.

Sue Clark, BSc (Hon), MBA, Senior Independent Non-Executive Director, appointed Non-Executive Director in December 2018, Chair of the Remuneration Committee in February 2019 and Senior Independent Non-Executive Director in January 2020.

Committee membership: Chair of the Remuneration Committee and member of the Audit Committee and the People & Governance Committee.

Skills and experience: Sue has strong international business credentials with over 20 years' executive committee and board level experience in the fast-moving consumer goods (**FMCG**), regulated transport and utility sectors. She held the role of Managing Director of SABMiller Europe and was an Executive Committee member of SABMiller plc. She joined SABMiller in 2003 as Corporate Affairs Director and was part of the executive team that built the business into a top five FTSE company.

External appointments: Non-executive director and Chair of the Remuneration Committee of Britvic plc, non-executive director of Tulchan Communications LLP and non-executive director and member of the Audit, Nominations and Remuneration Committees of Mondi plc.

Diane de Saint Victor, Non-Executive Director, appointed Non-Executive Director in November 2021.

Committee membership: Member of the Remuneration Committee and the People & Governance Committee.

Skills and experience: Diane has strong legal, regulatory and ESG experience, having held a number of General Counsel, Company Secretary and other key roles in an international career. Her 13-year tenure as General Counsel and Company Secretary for ABB, the global technology company based in Switzerland, and her General Counsel role at Airbus before that are reinforced by her prior listed UK board experience as a Non-Executive Director at Barclays plc. Diane also previously served as Vice President Government Relations, Europe at Honeywell International Inc. and as part of the US Government Relations Team in Washington for the General Electric Company.

External appointments: Non-executive director at Transocean Ltd, Natixis S.A. and C&A.

Ngozi Edozien, Non-Executive Director, appointed Non-Executive Director in November 2021.

Committee membership: Member of the Audit Committee and the People & Governance Committee.

Skills and experience: Ngozi has over 30 years' experience in general management, finance, consultancy, business development and transformation gained at multinational companies, including in the consumer goods sector, in Europe, the US and Africa. She spent six years on the board of PZ Cussons and four years on the board of Vlisco PLC. During a nine-year career with Pfizer Inc., she led strategy and planning for pharmaceuticals, based in New York, before taking up a Regional Director role in Africa.

External appointments: Non-executive director of Guinness Nigeria, a listed subsidiary of Diageo, Stanbic IBTC Holdings PLC and Barloworld Ltd. She is also Founder and Managing Director of Invivo Partners Limited.

Alan Johnson, Non-Executive Director, appointed Non-Executive Director in January 2021.

Committee membership: Member of the Audit Committee and the People & Governance Committee.

Skills and experience: Alan has a strong financial background in the consumer goods and retail sectors, having held a number of senior finance positions at Unilever during a 30-year career, including Chief Audit Executive and Chief Financial Officer of the Global Foods Division. He was previously Chief Financial Officer and then a Non-Executive Director at food retailer Jerónimo Martins, SGPS, SA until April 2016.

External appointments: President and Chairman of the board of the International Federation of Accountants and a member of the board and Chairman of the Audit Committee of the International Valuation Standards Council. Alan is also a non-executive director of William Grant & Sons Ltd and DS Smith plc.

Robert (Bob) Kunze-Concewitz, Non-Executive Director, appointed Non-Executive Director in November 2020.

Committee membership: Member of the Remuneration Committee and the People & Governance Committee.

Skills and experience: Bob is an experienced marketing professional and has held a number of senior roles at leading FMCG companies. He has been Chief Executive Officer at Campari Group, a leading company in the global spirits industry, since May 2007, having joined the business in 2005 as Group Marketing Director. Prior to his time at Campari Group, he held positions of increasing responsibility at Procter & Gamble, including Global Prestige Products Corporate Marketing Director.

External appointments: Chief Executive Officer of Campari Group and a non-executive director of Luigi Lavazza S.p.A.

Simon Langelier, BSc (Hon), Non-Executive Director, appointed Non-Executive Director in June 2017.

Committee membership: Member of the Audit Committee and the People & Governance Committee.

Skills and experience: Simon has significant international experience within the tobacco industry. He held a number of senior commercial positions during a 30-year career with Philip Morris International, including in Latin America, Asia, Western and Eastern Europe, the Middle East and Africa. In addition, he was President of their NGP & Adjacent Businesses. Simon was also Chairman of PharmaCielo Limited, an international medicinal cannabis business, for almost six years.

External appointments: Patron and Honorary Professorial Fellow at Lancaster University, and a member of the Dean's Council of the University's Management School. Simon is also a non-executive director of CryoMass Technologies, Inc.

Jon Stanton, ACA, Non-Executive Director, appointed Non-Executive Director in May 2019 and Chairman of the Audit Committee in June 2020.

Committee membership: Chairman of the Audit Committee and member of the Remuneration Committee and the People & Governance Committee.

Skills and experience: Jon has a wide range of international leadership experience, encompassing transformation, M&A and all aspects of finance, principally in the business-to-business (B2B) sector. In 2016, he was appointed Chief Executive Officer of The Weir Group PLC, one of the world's leading engineering businesses, having previously been Chief Financial Officer from 2010. Prior to that, he spent 22 years at Ernst & Young LLP, the last nine years of which were as a partner in its London office. Jon is a Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales.

External appointments: Chief Executive Officer of The Weir Group PLC.

John Downing, MA, Solicitor, Company Secretary, appointed Company Secretary in June 2012.

Skills and experience: John, a qualified solicitor, joined Imperial Brands in 2005 having previously worked for the law firm Linklaters. He has had a number of senior legal roles in Imperial Brands, including playing a leading role in the Altadis acquisition and becoming the Head of Group Legal in 2010. He has considerable experience in managing key corporate projects related to financing, business development and other commercial matters. In addition to his role as Company Secretary, John also has responsibility for the Group's governance, Code of Conduct, security and information security.

Executive leadership team

Stefan Bomhard, PhD, Chief Executive Officer, appointed Chief Executive Officer in July 2020. See "*—Board of Directors—Stefan Bombhard*" above.

Lukas Paravicini, Chief Financial Officer, appointed Chief Financial Officer on 19 May 2021. See "*—Board of Directors—Lukas Paravicini*" above.

Anindya (Andy) Dasgupta, Chief Consumer Officer, appointed Chief Consumer Officer in May 2021.

Skills and experience: Andy has held senior executive positions in marketing, strategy and general management for large global businesses in multiple markets. He developed extensive consumer experience working in senior roles in the consumer healthcare division at GlaxoSmithKline, the Global Beverages Group at PepsiCo, and at Fonterra, where he led the global consumer-branded business.

Javier Huerta, Chief Supply Chain Officer, appointed Chief Supply Chain Officer in February 2021.

Skills and experience: Javier has extensive experience in supply chain, operations and consumer goods having held a number of senior roles in an 11-year career at Unilever, most latterly as Executive Vice President Supply Chain for Foods and Refreshment. His strong consumer goods background also includes a 14-year career in various roles at Nestlé.

Murray McGowan, Chief Strategy and Development Officer, appointed Chief Strategy and Development Officer in July 2020.

Skills and experience: Murray has a strong background in strategy through a number of strategic and operational leadership roles for several high profile businesses, including Costa Coffee, Yum! Brands, Cadbury and The Restaurant Group. He also worked with a range of leading global FMCG and retail businesses during his time at McKinsey & Company.

Joerg Biebernick, Dipl. Kfm (MBA equivalent), President of Europe Region, appointed as Divisional Director, Europe Region, when he joined Imperial Brands in November 2017. He served as Joint Interim Chief Executive Officer between February and July 2020 prior to Stefan Bomhard's appointment and returned to his previous role, which was retitled to President of Europe Region.

Skills and experience: Joerg has considerable brand-marketing and general management experience built during a 25-year career in Europe and the US. Prior to joining Imperial Brands, Joerg served as President, Latin

America for Kimberly Clark. He has also held senior positions working in the consumer goods sector for both Georgia Pacific and Procter & Gamble.

Kim Reed, President and CEO of Americas Region, appointed President and CEO of Americas Region in September 2021.

Skills and experience: Kim has extensive experience in the consumer goods sector and a track record of more than 30 years in sales and executive leadership roles. She originally joined the Group's US business as Executive Vice President, Sales in 2019 to successfully design and oversee a comprehensive sales transformation strategy. Prior to joining the Group, Kim was General Manager of US Sales at The Kellogg Company.

Paola Pocci, President of Africa, Asia and Australasia Region, appointed President of Africa, Asia and Australasia Region in September 2021.

Skills and experience: Paola has a strong experience in geographically diverse consumers and operations management across traditional and modern retail channels. In her 22 years at Procter & Gamble, she held leadership positions across developed and developing territories, including Europe, the Middle East, the US and China, and across multiple FMCG categories.

Alison Clarke, Chief People and Culture Officer, appointed Chief People and Culture Officer in September 2020.

Skills and experience: Alison is a highly experienced global business leader having held senior positions at Whitbread, Hutchison, United Utilities as well as Inchcape, where she acted as Chief Human Resources Officer with responsibility for all aspects of people and culture strategies. She has led a number of large human resources functions as well as teams responsible for business transformation, communications and ESG.

Sean Roberts, Chief Legal and Corporate Affairs Officer, appointed Chief Legal and Corporate Affairs Officer in April 2022.

Skills and experience: Sean has significant experience in the tobacco, pharmaceuticals and consumer goods sectors and a successful track record of more than 30 years in legal, compliance and executive leadership roles. Sean held a range of senior positions at GlaxoSmithKline over his 23 years with the group, including Senior Vice President and General Counsel of GlaxoSmithKline Consumer Healthcare, a global joint venture between GlaxoSmithKline and Pfizer. Earlier in his career, Sean was a commercial lawyer at the international law firm Simmons & Simmons, where he served a diverse client base including the Gallaher Group, now part of JTI.

Board Practices

The Board remains committed to maintaining high standards of corporate governance, which it sees as a cornerstone in managing the business affairs of the Group and a fundamental part of discharging its stewardship responsibilities. Accordingly, Imperial Brands has complied with the corporate governance rules and best practice provisions applying to UK listed companies contained in the UK Corporate Governance Code 2018 (the **Code**) since its entry into effect for Imperial Brands.

Board structure

The Board of Imperial Brands currently comprises a Non-Executive Chair, seven Non-Executive Directors and two Executive Directors. The Chair and Chief Executive Officer have clearly defined and separate responsibilities divided between the leadership and effectiveness of the Board and the management of the Group's business, respectively. The Board is supported in its functions by the Company Secretary. Sue Clark is the recognised Senior Independent Non-Executive Director to whom Imperial Brands encourages shareholders and Directors to raise any concerns they may have.

The Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments on boards of, or relationships with, companies outside the Group. The Board requires Directors to declare all appointments and other situations that could result in any possible conflict of interest and has adopted appropriate processes to manage and, if appropriate, approve any such conflicts.

The Directors' biographies, appearing in "*—Board of Directors and Executive Leadership Team—Board of Directors*" above, demonstrate a detailed knowledge of the tobacco industry and the wider FMCG section,

together with a range of business and financial experience that is vital to the management of an international company. The biographies also include details of any other major directorships and positions outside the Group.

Board operations

The Board is the principal decision-making forum of the Group and manages overall control of the Group's affairs. Key to this control is the schedule of matters that are reserved for consideration by the Board and on which any final decision must be made by the Board. These include, among others, approving the Group's strategy, business plans, financial statements and other major financial announcements, the payment of dividends, changes to the Group's principal policies, acquisitions or disposals exceeding defined thresholds and the appointment and removal of Directors and the Company Secretary.

The Company Secretary is responsible for advising the Board, through the Chair, on all matters of corporate governance and for ensuring Board procedures are followed and applicable rules and regulations are complied with. All Directors have access to the advice of the Company Secretary and, where appropriate, the services of other Group employees for all corporate governance and regulatory matters. Independent professional advice is also available to the Directors, in appropriate circumstances, at the Group's expense.

All Directors are equally accountable in law for the proper stewardship of the Group's affairs, with the Non-Executive Directors having a particular responsibility for ensuring that strategies proposed for the development of the business, resources and standards of conduct are critically reviewed using their independent judgment and experience. This seeks to ensure that the Board acts in the best long-term interests of all shareholders, takes account of the wider community of interests represented by employees, customers and suppliers, and that environmental, community, ethical and reputational issues are fully integrated into the Group's decision-making and risk assessment processes.

The Non-Executive Directors also play a leading role in corporate accountability and governance through their membership in the Remuneration Committee, the People & Governance Committee and the Audit Committee (collectively, the **Committees**, and each, a **Committee**).

The Board delegates responsibility for developing and implementing the Group's strategy and for the day-to-day management of the Group's business to its Chief Executive Officer, who is supported by the Chief Financial Officer and by the Group's executive leadership team, which he chairs. The Group's executive leadership team comprises senior executives from across the business, and oversees the operational execution and implementation of the Group's strategic and financial plans. For biographies of the members of the Group's executive leadership team, see "*—Board of Directors and Executive Leadership Team—Executive leadership team*".

Board Committees

Each of the Board Committees has specific written terms of reference issued by the Board in accordance with the requirements of the Code, as applicable, adopted by the relevant Committee and published on the Group's website at *https://www.imperialbrandsplc.com/healthier-futures/governance/board-committees*. All Committee Chairs report on the proceedings of their Committee at the next meeting of the Board and make recommendations to the Board where appropriate. In addition, minutes of Committee meetings are circulated to all Board members. To ensure Directors are kept up-to-date on developing issues and to enhance the overall effectiveness of the Board and its Committees, the Board Chair and Committee Chairs communicate regularly with the Chief Executive Officer and Chief Financial Officer. Where appropriate, the Board convenes virtually outside of scheduled meetings to consider time-sensitive matters.

Remuneration Committee

The Remuneration Committee sets and implements the Group's remuneration policy aimed at aligning the interests of Executive Directors and senior management with those of Imperial Brands' shareholders, ensuring that the Group's ability to attract and retain high-performing executives whilst incentivising the delivery of its strategic objectives and sustained returns for investors. The Remuneration Committee sets the remuneration package for each Executive Director and the Group's senior executives after taking advice principally from external resources, including from FIT Remuneration Consultants LLP (**FIT**), Willis Towers Watson and Alithos Limited, which are engaged by the Remuneration Committee as required. FIT also reviews the Group's remuneration principles and practices against corporate governance best practice.

The members of the Remuneration Committee are: Sue Clark (Chair), Thérèse Esperdy, Diane de Saint Victor, Robert (Bob) Kunze-Concewitz and Jon Stanton.

People & Governance Committee (formerly known as Succession & Nominations Committee)

The People & Governance Committee reviews and evaluates the composition and succession plans of the Board, its Committees and the Group's senior management to maintain an appropriate balance of skills, knowledge, experience, independence and diversity. The People & Governance Committee also nominates candidates for appointment to the Board and retains oversight of the development plans for members of the Group's executive leadership team together with the Group's wider organisational structure and talent management processes. Unless dealing with the succession of the Chair, Executive Directors are invited to attend the meetings of the People & Governance Committee when appropriate.

The members of the People & Governance Committee are: Thérèse Esperdy (Chair), Sue Clark, Diane de Saint Victor, Ngozi Edozien, Alan Johnson, Robert (Bob) Kunze-Concewitz, Simon Langelier and Jon Stanton.

Audit Committee

The Audit Committee assists the Board in fulfilling its corporate governance responsibilities. This includes oversight of the Group's external audit, internal control systems, risk management framework and process and internal audit department. The Audit Committee's responsibilities also include ensuring the integrity of the Group's financial statements and related announcements as well as the independence of the Group's external auditors. For the year ended 30 September 2021, the Audit Committee's responsibilities included, among others, evaluating the impact of the Group's strategic review process on critical judgements, estimates and disclosures, in particular on adjusted performance measures and NGP asset carrying values, reviewing the Group's tax strategy, strengthening the Group's internal control systems and monitoring the impact of the COVID-19 pandemic on the Group's business, including for credit risk purposes.

The members of the Audit Committee are: Jon Stanton (Chairman), Sue Clark, Ngozi Edozien, Alan Johnson and Simon Langelier.

IMPERIAL BRANDS FINANCE PLC

The Issuer (formerly named Imperial Tobacco Finance PLC) was incorporated as a private company with limited liability under the laws of England and Wales on 14 June 1996. It was re-registered on 21 October 1997 as a public company limited by shares within the meaning of the Companies Act 1985 following a special resolution of its members on 20 October 1997. On 19 February 2016, the Issuer's name changed to Imperial Brands Finance PLC. Its registered office is at 121 Winterstoke Road, Bristol BS3 2LL, United Kingdom (telephone number: +44 (0) 117 963 6636). It is registered with the Registrar of Companies in England and Wales with company number 03214426.

The Issuer is an indirect wholly-owned subsidiary of Imperial Brands. As at the date of this Offering Memorandum, it has an issued share capital of £2,100,000,000 comprising 2,100,000,000 ordinary shares of £1 each.

The Issuer's principal activity is to provide treasury services to the Group. The Issuer, as the main financing and financial risk management company for the Group, undertakes transactions to manage the Group's financial risks, together with its financing and liquidity requirements. The Issuer has no subsidiaries of its own.

The following table sets forth the members of the board of directors and the company secretary of the Issuer as at the date of this Offering Memorandum:

Name	Title
Lukas Paravicini[(1)]	Director
Mathew Slade	Director
David Tillekeratne[(2)]	Director
John Downing[(3)]	Company Secretary

Notes:
(1) Also a board member of Imperial Brands and ITL.
(2) Also a board member of ITL.
(3) Also Company Secretary of Imperial Brands and a board member of ITL.

The business address of the Issuer's directors is 121 Winterstoke Road, Bristol BS3 2LL, United Kingdom. None of the directors of the Issuer holds external positions outside the Group.

Except as otherwise indicated in the footnotes to the table above, there are no existing or potential conflicts of interest between any duties of its directors to the Issuer and/or their respective private interests and other duties.

IMPERIAL TOBACCO LIMITED

ITL (formerly named Perthpark Limited) was incorporated as a private company with limited liability under the laws of England and Wales on 1 November 1984. On 10 September 1986, ITL's name changed to Imperial Tobacco Limited. Its registered office is at 121 Winterstoke Road, Bristol BS3 2LL, United Kingdom (telephone number: +44 (0) 117 963 6636). It is registered with the Registrar of Companies in England and Wales with company number 01860181.

ITL is an indirect wholly-owned subsidiary of Imperial Brands. As at the date of this Offering Memorandum, it has an issued share capital of £18,831,140 comprising 18,831,140 ordinary shares of £1 each.

The principal activity of ITL is the marketing and sale of tobacco and tobacco-related products. ITL is also a holding company and an intermediate parent company for the majority of the Group's subsidiaries.

The following table sets forth the members of the board of directors and the company secretary of ITL as at the date of this Offering Memorandum:

Name	**Title**
Lukas Paravicini[(1)]	Director
John Downing[(2)]	Director
David Tillekeratne[(3)]	Director
Daniel Bevan	Company Secretary

Notes:
(1) Also a board member of Imperial Brands and the Issuer.
(2) Also Company Secretary of Imperial Brands and the Issuer.
(3) Also a board member of the Issuer.

The business address of the directors of ITL is 121 Winterstoke Road, Bristol BS3 2LL, United Kingdom. None of the directors of ITL holds external positions outside the Group.

Except as otherwise indicated in the footnotes to the table above, there are no existing or potential conflicts of interest between any duties of its directors to ITL and/or their respective private interests and other duties.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

As at the date of this Offering Memorandum, insofar as it is known to Imperial Brands, the name of each person who, directly or indirectly, has a notifiable interest of 3 per cent or more in the Imperial Brands' share capital, and the amount of such person's interest, are as follows:

Name	Number of shares (*in million*)	Percentage of shares[(1)]
BlackRock Inc.	53.49	5.63%
Spring Mountain Investments Ltd.	48.92	5.15%
Capital Group Companies Inc.	48.38	5.09%
FIL Limited	47.21	4.97%

Note:
(1) Excluding treasury shares.

So far as Imperial Brands is aware, no person or persons, directly or indirectly, jointly or severally, exercise or could exercise control over Imperial Brands. There are no differences between the voting rights enjoyed by the shareholders described above and those enjoyed by any other holder of shares in Imperial Brands.

Related Party Transactions

From time to time, Imperial Brands may enter into transactions with certain related parties or its affiliates in the ordinary course of the Group's business. Management believes that these agreements are on terms no more favourable to such related parties or affiliates than what it would expect to negotiate with disinterested third parties. See also Note 35 to the 2021 Financial Statements, Note 16 to the 2022 Interim Financial Statements and the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness*" hereof for a description of the guarantees provided therein.

DESCRIPTION OF THE NOTES AND THE GUARANTEES

The following is a summary of the material provisions of the Notes, the Guarantees and the Indenture (each as defined below). The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Notes, the Guarantees and the Indenture. It does not restate those securities or the Indenture in their entirety. A copy of the Indenture will be available for inspection during normal business hours at any time after the initial issuance date of the Notes at the specified office of the Agent (as defined below). See also "General Information—Documents Available". Any capitalised term used herein but not defined shall have the meaning ascribed to such term in the Indenture.

General

The US$1,000,000,000 6.125 per cent Senior Notes due 2027 (the **Notes** and, each separately, a **Note**) will be issued in registered form pursuant to an indenture to be dated as of 27 July 2022 (the **Indenture**) between the Issuer, the Guarantors (as defined below), The Bank of New York Mellon, London Branch (in its capacity as trustee, the **Trustee**, and in its capacity as paying agent, the **Paying Agent**) and The Bank of New York Mellon (in its capacity as transfer agent, the **Transfer Agent**, and in its capacity as registrar, the **Registrar** and, together with the Paying Agent and the Transfer Agent, the **Agent**).

The Indenture is not required to be, and will not be, qualified under, incorporate by reference or include, or be subject to, any of the provisions of the US Trust Indenture Act of 1939, as amended (the **Trust Indenture Act**), including Section 316(b) thereof. Consequently, the holders of Notes (the **Holders** or **Noteholders**) generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring a trustee to resign in the event of certain conflicts of interest and to inform the holders of debt securities of certain relationships between it and the issuer of such securities. In this "*Description of the Notes and the Guarantees*", the terms **Holder**, **Noteholder** and other similar terms refer to a registered holder of Notes, and not to a beneficial owner of a book-entry interest in any Notes, unless the context otherwise clearly requires.

For so long as any Notes remain outstanding and are restricted securities within the meaning of Rule 144(a)(3) under the US Securities Act of 1933, as amended (the **Securities Act**), Imperial Brands will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder (or any beneficial owner of a book-entry interest in such Notes designated by the Holder thereof) in connection with any sale thereof and to any prospective purchaser of Notes or a book-entry interest in Notes designated by such Holder, in each case upon request of such Holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act. As of the date of this Offering Memorandum, Imperial Brands is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Regulation S Notes will be resold outside the United States in offshore transactions in reliance on Regulation S.

Guarantees

The Notes will benefit from a guarantee (the **Parent Guarantee**) from Imperial Brands (the **Parent Guarantor**). In addition, the Notes will benefit from a guarantee (the **Subsidiary Guarantee** and, together with the Parent Guarantee, the **Guarantees**) from ITL (the **Subsidiary Guarantor** and, together with the Parent Guarantor, the **Guarantors**). In the Guarantees, each Guarantor will (i) guarantee the due and prompt payment of any principal, accrued and unpaid interest (and all Additional Amounts (as defined below), if any) due under the Notes in accordance with the Indenture, and (ii) guarantee the Issuer's other obligations under the Indenture. The Guarantees will be set forth in the Indenture. The Subsidiary Guarantee may be terminated at the option of the Subsidiary Guarantor at any time, and under certain circumstances, other members of the Group may be substituted as Guarantors for the Parent Guarantor and the Subsidiary Guarantor, in each case without the consent of Noteholders. See below under "*—Status of the Notes and Guarantees*" and "*—Covenants of the Issuer—Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors*; *Additional Guarantors*".

Principal and Maturity

The Notes will be unsecured and unsubordinated obligations of the Issuer. The Notes are initially issuable in an aggregate principal amount of US$1,000,000,000 and will mature on 27 July 2027.

Interest

The Notes will bear interest at 6.125 per cent per annum (subject to adjustment as described below under "*—Interest Rate Adjustment Based on Rating Events*") from the date of the initial issuance of the Notes, payable semi-annually in arrears on 27 January and 27 July of each year (each, an **Interest Payment Date**) commencing on 27 January 2023 to the person in whose name any Note is registered at the close of business on the 15th calendar day immediately preceding such Interest Payment Date (whether or not a Business Day) (each, a **Record Date**), notwithstanding any transfer or exchange of Notes subsequent to the Record Date and prior to such Interest Payment Date, except that, if and to the extent the Issuer shall default in the payment of the interest due on such Interest Payment Date and the applicable grace period shall have expired, such defaulted interest may at the option of the Issuer be paid to the persons in whose names outstanding Notes are registered at the close of business on a subsequent Record Date (which shall not be less than ten days prior to the date of payment of such defaulted interest) established by notice given by first class mail by or on behalf of the Issuer to the Holders (which term means registered holders) of the Notes not less than 15 days preceding such subsequent Record Date. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed. If the date on which any payment of interest, principal or Additional Amounts is to be made is not a Business Day, such payment will be made on the next day which is a Business Day without any further interest or other amounts being paid or payable in connection therewith.

Optional Redemption

Prior to the Par Call Date (as defined below), the Notes may be redeemed, in whole or in part, at any time and from time to time, at the option of the Issuer, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(i) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Treasury Rate plus 50 basis points, less (b) interest accrued to the date of redemption, and

(ii) 100% of the principal amount of the Notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date and any Additional Amounts payable with respect thereto.

On or after the Par Call Date, the Notes will be redeemable, in whole or in part, at any time and from time to time, at the option of the Issuer, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued but unpaid interest to, but excluding, the redemption date and any Additional Amounts payable with respect thereto.

For the purposes of the provisions above, the following terms will be applicable:

Par Call Date means 27 June 2027 (the date that is one month prior to the Maturity Date).

Treasury Rate means, with respect to any redemption date, the yield determined by the Issuer in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on US government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third Business Day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) (**H.15**) under the caption "US government securities–Treasury constant maturities–Nominal" (or any successor caption or heading) (**H.15 TCM**). In determining the Treasury Rate, the Issuer shall select, as

applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Par Call Date (the **Remaining Life**); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third Business Day preceding the redemption date H.15 TCM or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second Business Day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, the Issuer shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be given in accordance with "*Notices*" below at least 10 days but not more than 60 days before the redemption date to each Holder of the Notes to be redeemed. Any redemption notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including but not limited to, completion of a debt or equity financing, acquisition, divestment or other corporate transaction or event. In addition, the Issuer in any related notice of redemption shall describe each such condition and, if applicable, shall state that, at the Issuer's discretion, the date of redemption may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered) as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or that such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Upon presentation of any Note redeemed in part only, the Issuer will execute and instruct the Trustee to authenticate and deliver to or on the order of the Holder thereof, at the expense of the Issuer, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

In the case of a partial redemption of the Notes, selection of the Notes for redemption will be made *pro rata*, by lot or by such other method as the Issuer in its sole discretion deems appropriate and fair. No Notes of a principal amount of US$200,000 or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption that relates to the Note will state the portion of the principal amount of the Note to be redeemed. A new Note in a principal amount equal to the unredeemed portion of the Note will be issued in the name of the Holder of the Note upon surrender for cancellation of the original Note, provided the minimum denomination of such Note must be US$200,000 held by a beneficial Holder. For so long as the Notes are held by DTC (or another depositary), the redemption of the Notes shall be done in accordance with the policies and procedures of the depositary.

The Issuer shall notify the redemption price to the Trustee, each paying agent and the Holders no later than two Business Days prior to the redemption date of the Notes, and the Trustee and each paying agent for the Notes shall be entitled to rely on such calculation. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption. On or before the redemption date of the Notes, the Issuer shall deposit with the Trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all the Notes are to be redeemed, the Notes to be redeemed shall be selected by the depositary in accordance with its standard procedures.

Repurchase Upon a Change of Control Offer

If a Change of Control Triggering Event occurs with respect to the Notes, unless: (i) the Issuer has exercised its option to redeem the Notes in full as described above in "—*Optional Redemption*", or (ii) the Notes have been redeemed in full for tax reasons as described below in "—*Redemption for Tax Reasons*", the Issuer will be required to make an offer (the **Change of Control Offer**) to each Holder of the Notes to repurchase all or any part (equal to US$200,000 or an integral multiple of US$1,000 in excess thereof) of that Holder's Notes on the terms set forth in the Notes. In the Change of Control Offer, the Issuer will be required to offer payment in cash equal to 101 per cent of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (a **Change of Control Payment**). Within 30 days following any Change of Control Triggering Event or, at the Issuer's option, prior to any Change of Control (as defined below), but after public announcement of the transaction that constitutes or may constitute the Change of Control, a notice will be mailed to the Noteholders describing the transaction that constitutes or may constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in the applicable notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the **Change of Control Payment Date**). The notice will, if mailed prior to the date of consummation of the Change of Control, state that the Change of Control Offer is conditioned on the Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- accept for payment all Notes or portions of Notes properly tendered and not withdrawn pursuant to the Change of Control Offer;
- deposit with the Paying Agent and the Agent in its capacity as the Transfer Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- deliver or cause to be delivered to the Agent the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being repurchased.

The Agent will promptly mail to each Holder of Notes properly tendered the purchase price for the Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new Note equal in principal amount to any unpurchased portion of any Notes surrendered; provided that each new Note will be in the principal amount of US$200,000 or an integral multiple of US$1,000 in excess thereof.

If the Change of Control Payment Date is on or after a Record Date immediately preceding an Interest Payment Date and on or before such related Interest Payment Date, any accrued and unpaid interest, if any, will be paid to the person in whose name the Note is registered at the close of business on such Record Date immediately preceding an Interest Payment Date, and no additional interest will be payable to Holders who tender pursuant to the Change of Control Offer.

The Issuer will not be required to make a Change of Control Offer if a third party makes an offer on substantially the same terms as the Change of Control Offer and repurchases all Notes properly tendered and not withdrawn pursuant to its offer. In addition, the Issuer will not repurchase any Notes if there has occurred and is continuing on the Change of Control Payment Date an Event of Default (as defined below under "—*Events of Default*") under the Notes, other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

If 95 per cent or more in nominal amount of the Notes then outstanding immediately prior to any Change of Control Offer have been redeemed or purchased pursuant to such Change of Control Offer, the Issuer may, having given not less than 10 nor more than 60 days' notice to the Holders of the Notes in accordance with the Indenture, such notice to be given within 30 days after the Change of Control Payment Date, redeem or, at the Issuer's option, purchase (or procure the purchase of), in whole, but not in part, the Notes then outstanding at 101 per cent of the aggregate principal amount of the Notes repurchased together with interest accrued to, but excluding, the date of such redemption. The notice referred to in the preceding sentence shall be irrevocable and shall specify the date fixed for redemption (which shall not be more than 60 days after the date of the notice). Upon expiry of such notice, the Issuer will redeem or, at the option of the Issuer, purchase (or procure the purchase of) the Notes.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder, to the extent that those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Issuer will comply with those securities laws and regulations and will not be deemed to have breached the Issuer's obligations under the Change of Control Offer provisions of the Notes by virtue of any such conflict.

The Notes will not specifically prohibit the Parent Guarantor from entering into a merger, consolidation or similar combination with or into another party, or transferring all or substantially all of its assets to another party, whether or not the other party becomes liable for the Parent Guarantor's obligations under the Notes. Such a transaction may, however, constitute a Change of Control. See also "*—Covenants of the Issuer—Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors; Additional Guarantors*" below.

The Change of Control provisions above may deter certain mergers, tender offers and other proposed corporate actions involving the Parent Guarantor by increasing the capital required to effectuate such transactions.

For the purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

Change of Control means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger, consolidation, amalgamation or other combination) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) (other than the Parent Guarantor or one of its Subsidiaries) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50 per cent of the Parent Guarantor's voting stock or other voting stock into which the Parent Guarantor's voting stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (2) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation, amalgamation or other combination), in one or more series of related transactions, of all or substantially all of the Parent Guarantor's assets and the assets of the Parent Guarantor's Subsidiaries, taken as a whole, to one or more "persons" (as that term is used in Section 13(d)(3) of the Exchange Act) (other than the Parent Guarantor or one of its Subsidiaries); or (3) the first day on which a majority of the members of the Parent Guarantor's board of directors are not Continuing Directors (as defined below). Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control if (1) the Parent Guarantor becomes a direct or indirect wholly-owned subsidiary of a holding company (the **New Parent Company**) and (2)(A) the direct or indirect holders of the voting stock of the New Parent Company immediately following that transaction are substantially the same as the holders of the Parent Guarantor's voting stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50 per cent of the voting stock of the New Parent Company. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the Parent Guarantor's assets. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Noteholder may require the Issuer to make an offer to repurchase the Notes as described above.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Event in respect of that Change of Control.

Continuing Directors means, as of any date of determination, any member of the Parent Guarantor's board of directors who (1) was a member of such board of directors on the date the Notes were issued; or (2) was nominated for election, elected or appointed to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination, election or appointment (either by a specific vote or by approval of the Parent Guarantor's notice of annual general meeting in which such member was named as a nominee for election as a director, without objection to such nomination).

Investment Grade Rating means a rating equal to Baa3 or higher (or the equivalent) by Moody's and a rating equal to BBB- or higher (or the equivalent) by S&P, and a rating equal to or higher than the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Issuer.

Moody's means Moody's Investors Service Ltd. and its successors.

Rating Agencies means: (1) each of Moody's and S&P; and (2) if Moody's or S&P ceases to rate the Issuer's senior unsecured long-term debt or fails to make a rating of the Issuer's senior unsecured long-term debt publicly available for reasons outside of the Issuer's or the Guarantors' control, a "nationally recognized statistical rating organization" within the meaning of the Exchange Act selected by the Issuer (as certified by a resolution of the Issuer's board of directors) as a replacement agency for Moody's or S&P, or all of them, as the case may be.

Rating Event means the solicited credit rating of the Issuer's senior unsecured long-term debt is lowered by both of the Rating Agencies, and the solicited credit rating of the Issuer's senior unsecured long-term debt is then below an Investment Grade Rating by both of the Rating Agencies, on any day within the 60-day period (which 60-day period will be extended so long as the rating of the Notes is under publicly announced consideration for a possible downgrade by either of the Rating Agencies) after the earlier of: (1) the occurrence of a Change of Control; and (2) public notice of the occurrence of a Change of Control or the Parent Guarantor's intention to effect a Change of Control; provided, however, that a Rating Event otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a Rating Event for purposes of the definition of Change of Control Triggering Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Agent in writing at its or the Issuer's request that the reduction was the result, in whole or in part, of any event or circumstance composed of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control has occurred at the time of the Rating Event).

S&P means S&P Global Ratings UK Limited and its successors.

Voting stock means, with respect to any specified "person" (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Interest Rate Adjustment Based on Rating Events

The interest rate payable on the Notes will be subject to adjustment from time to time in the event of a Step Up Rating Change or a Step Down Rating Change, as the case may be.

From and including the first Interest Payment Date following the date of a Step Up Rating Change, if any, the interest rate payable on the Notes shall be increased by 1.25 per cent per annum. A Step Up Rating Change may only occur once during the term of the Notes. In the event of a Step Down Rating Change following a Step Up Rating Change, from and including the first Interest Payment Date following the date of such Step Down Rating Change, the interest rate payable on the Notes shall be decreased by 1.25 per cent per annum.

The Issuer will notify the Trustee promptly following the occurrence of a Step Up Rating Change or a Step Down Rating Change, but such notice will in any event be given no later than the fifth Business Day following the Step Up Rating Change or the Step Down Rating Change.

The Issuer will use all reasonable efforts to maintain the issuance of solicited public credit ratings for its senior long-term debt from Rating Agencies.

For purposes of the "*Interest Rate Adjustment Based on Rating Events*" provisions of the Notes, the following terms will be applicable:

Investment Grade Rating means a rating equal to Baa3 or higher (or the equivalent) by Moody's and a rating equal to BBB- or higher (or the equivalent) by S&P, and a rating equal to or higher than the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Issuer.

Rating Agencies and related definitions have the meaning set forth under "*—Repurchase Upon a Change of Control Offer*" above.

Step Down Rating Change means the first public announcement after a Step Up Rating Change by any Rating Agency of an increase in the solicited credit rating of the Issuer's senior unsecured long-term debt with the result that, following such public announcement(s), each Rating Agency rates the Issuer's senior unsecured long-term debt as Baa3 or higher (in the case of Moody's) and BBB- or higher (in the case of S&P). Any further increases in the solicited credit rating of the Issuer's senior unsecured long-term debt above Baa3 (in the case of Moody's) or above BBB- (in the case of S&P) shall not constitute a Step Down Rating Change.

Step Up Rating Change means the first public announcement by any Rating Agency of a decrease in the solicited credit rating of the Issuer's senior unsecured long-term debt to below Baa3 (in the case of Moody's) or below BBB- (in the case of S&P). Any further decreases in the solicited credit rating of the Issuer's senior unsecured long-term debt from below Baa3 (in the case of Moody's) or from below BBB- (in the case of S&P) shall not constitute an additional Step Up Rating Change.

If the rating designations employed by any Rating Agency are changed from those described above, the Issuer and the Parent Guarantor shall determine, and notify the Trustee of, the rating designations of such entity as are most equivalent to the ratings described above or any other prior rating designations of such entity, and the provisions hereof shall be construed accordingly.

Form and Denomination

The Notes will be issued in fully registered form and only in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will be issued initially as global notes.

Further Issuances

The Issuer may, from time to time, without notice to or the consent of the Noteholders, "reopen" the Notes and create and issue additional notes having identical terms and conditions as the Notes (or in all respects except for the issue date, issue price, payment of interest accruing prior to the issue date of such additional notes and/or the first payment of interest following the issue date of such additional notes) so that the additional notes are consolidated and form a single series of notes with the Notes.

The Issuer will not issue any additional notes having the same CUSIP, ISIN or other identifying number as the Notes unless such additional notes have less than a *de minimis* amount of original issue discount or such issuance would constitute a "qualified reopening" of the Notes for US federal income tax purposes.

Status of the Notes and Guarantees

The Notes will be unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the Issuer (save for certain obligations required to be preferred by law).

The Guarantees will be unsecured and unsubordinated obligations of each Guarantor and will rank *pari passu* in right of payment among themselves and with all other unsecured and unsubordinated indebtedness of the relevant Guarantor (save for certain obligations required to be preferred by law).

In certain circumstances, including, but not limited to, a corporate reorganisation, the Parent Guarantor may substitute as Parent Guarantor a holding company of which it has become a direct or indirect wholly-owned subsidiary.

The Subsidiary Guarantee may be terminated at the option of the Subsidiary Guarantor at any time, and under certain circumstances, other members of the Group may be substituted as Guarantors for the Parent Guarantor

and/or the Subsidiary Guarantor, in each case without the consent of the Noteholders, provided that in any such termination or substitution (i) each Rating Agency shall have confirmed that the Notes will have the same or better solicited long-term public credit rating as immediately prior to such termination or substitution, as applicable, and (ii) the Trustee shall have confirmed its acceptance of such termination or substitution in compliance with certain regulatory requirements to which it is subject.

Payment of Additional Amounts

The Issuer and each Guarantor will make all payments of, or in respect of, principal, premium (if any) and interest on the Notes without withholding or deduction for or on account of any present or future tax, levy, impost or other governmental charge whatsoever and wherever imposed, assessed, levied or collected (**Taxes**), unless such withholding or deduction is required by law.

If the Issuer or any Guarantor or any of their respective paying agents is required to deduct or withhold any amount in respect of Taxes for or on account of the United Kingdom or, if different, their jurisdiction of organisation or tax residence or, if and only if the Issuer or any such Guarantor has consolidated, merged, amalgamated or combined with, or transferred or leased its assets substantially as an entirety to, any person and as a consequence thereof such person becomes the successor obligor to the Issuer or such Guarantor (and references herein to the Issuer or any Guarantor shall include any such successor obligor) in respect of payments on the Notes, for or on account of the jurisdiction under the laws of which the successor person in relation to the relevant payment is organised or resident for tax purposes or otherwise generally subject to tax (and in each case including any political subdivision thereof or any authority therein or thereof having the power to tax) (each, a **Relevant Taxing Jurisdiction**), the Issuer or such Guarantor, as the case may be, will pay to a Noteholder such additional amounts (**Additional Amounts**) as may be necessary so that the net amount received by such Noteholder will not be less than the amount such Noteholder would have received if such Taxes had not been withheld or deducted; provided, however, that the Issuer and the Guarantors shall not be required to pay any Additional Amounts for or on account of:

a) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that the Noteholder or beneficial owner of the Note (or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Noteholder, if such Noteholder is an estate, trust, partnership or corporation) is or has been a domiciliary, national or resident of, or engaging or having been engaged in a trade or business or maintaining or having maintained a permanent establishment or being or having been physically present in, a Relevant Taxing Jurisdiction or otherwise having or having had some connection with a Relevant Taxing Jurisdiction other than the mere holding or ownership of, or the collection of principal of, and premium (if any) or interest on, a Note;

b) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that, where presentation is required in order to receive payment, the Note was presented more than 30 days after the date on which such payment became due and payable or was provided for, whichever is later, except to the extent that the Holder thereof would have been entitled to Additional Amounts had the Note been presented for payment on any day during such 30-day period;

c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

d) any Taxes that are payable otherwise than by deduction or withholding from payments on or in respect of the applicable Note;

e) any Taxes that would not have been so imposed, assessed, levied or collected but for the failure by the Noteholder or the beneficial owner of the Note to comply with a written request to the Noteholders (or any request made in accordance with the procedures set out in the Indenture) (i) to provide any certification, identification, information, documents or other evidence concerning the nationality, residence or identity of the Noteholder or the beneficial owner or its connection with the Relevant Taxing Jurisdiction or (ii) to make any valid or timely declaration or claim or satisfy any other reporting, information or procedural requirements relating to such matters if, in either case, compliance is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction as a condition to relief or exemption from such Taxes; or

f) any combination of the Taxes described in paragraphs a) to e) above.

In addition, Additional Amounts will not be paid in respect of any payment in respect of the Notes or any Guarantee to any Noteholder that is a fiduciary, partnership, limited liability company or any person other than the sole beneficial owner of such Notes to the extent such payment would be required by the laws of a Relevant Taxing Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary, a member of such partnership, an interest holder in such limited liability company or a beneficial owner that would not have been entitled to such amounts had such beneficiary, settlor, member, interest holder or beneficial owner been the Holder of such Notes or Guarantees.

Unless otherwise stated, references in any context to the payment of principal of, and any premium or interest on, any Note, will be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Tax Reasons

The Notes are redeemable by the Issuer, in whole, but not in part, upon not less than 30 nor more than 60 days' notice as provided for herein, at 100 per cent of the principal amount of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date at the Issuer's option at any time prior to their maturity if due to a Change in Tax Law (as defined below): (a) the Issuer or, if applicable, any Guarantor, in accordance with the terms of the Notes, or the relevant Guarantee, as applicable, has, or would, become obligated to pay any Additional Amounts to the Noteholders; and (b) such obligation cannot be avoided by the Issuer or such Guarantor taking reasonable measures available to it including, in the case of a Guarantor, providing the Issuer with funds to allow the Issuer to make such payment; provided that, (i) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or such Guarantor, as applicable, would be obligated to pay any such Additional Amounts were a payment in respect of the Notes then due and (ii) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the giving of any such notice of redemption, the Issuer must deliver to the Trustee (A) an officers' certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent counsel of recognised standing with respect to tax matters of the Relevant Taxing Jurisdiction to the effect that the Issuer or such Guarantor has, or would, become obligated to pay such Additional Amounts as a result of such Change in Tax Law.

For the purposes hereof, **Change in Tax Law** means (a) except as described in (b), any change in, or amendment to, any law of a Relevant Taxing Jurisdiction (including any regulations or rulings promulgated thereunder but not including, for this purpose, any treaty entered into by the Relevant Taxing Jurisdiction) or any amendment to or change in the application or official interpretation (including judicial or administrative interpretation) of such law, which change or amendment becomes effective or, in the case of an official interpretation, is announced, on or after the Issue Date of the Notes or (b) if the Issuer or the relevant Guarantor consolidates, merges, amalgamates or combines with, or transfers or leases its assets substantially as an entirety to, any person that is incorporated or tax resident under the laws of any jurisdiction other than a Relevant Taxing Jurisdiction as of the date of such transaction and as a consequence thereof such person becomes the successor obligor to the Issuer or such Guarantor in respect of Additional Amounts that may become payable (in which case, for purposes of this redemption provision, all references to the Issuer or such Guarantor shall be deemed to be and include references to such person), any change in, or amendment to, any law of the jurisdiction of incorporation or tax residence of such person or any successor entity, or any political subdivision or taxing authority thereof or therein for purposes of taxation (including any regulations or rulings promulgated thereunder but not including, for this purpose, any treaty entered into by the Relevant Taxing Jurisdiction) or any amendment to or change in the application or official interpretation (including judicial or administrative interpretation) of such law, which change or amendment becomes effective or, in the case of an official interpretation, is announced, on or after the date of such consolidation, merger, amalgamation, combination or other transaction.

Redemption - General

Upon presentation of any Note redeemed in part only, the Issuer will execute and the Agent will authenticate and deliver (or cause to be transferred by book-entry) to or on the order of the Holder thereof, at the expense of the Issuer, a new Note or Notes, of authorised denominations, in principal amount equal to the unredeemed portion of the Note so presented.

On or before any redemption date, the Issuer shall deposit with the Agent money sufficient to redeem on the redemption date all the Notes so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption (other than Notes or portions thereof called for redemption on that date which have been delivered by the Issuer to the Agent for cancellation). If less than all the Notes are to be redeemed, the depositary or clearing systems will select the Notes for redemption in accordance with the rules of DTC and/or Euroclear and/or Clearstream, Luxembourg, as applicable.

On and after any redemption date, to the extent the Issuer has deposited sufficient money with the Agent as provided in the preceding paragraph, interest will cease to accrue on the Notes or any portion thereof called for redemption.

Maturity

Unless previously purchased or redeemed and cancelled by the Issuer, the Parent Guarantor or any of the Parent Guarantor's Subsidiaries, the principal amount of the Notes will mature and become due and payable on 27 July 2027, in an amount equal to its principal amount, with accrued and unpaid interest to such date.

Reacquisition

There is no restriction on the ability of the Issuer, the Parent Guarantor or any of the Parent Guarantor's Subsidiaries to purchase or repurchase Notes, provided that any Notes so repurchased shall be cancelled and not reissued.

Covenants of the Issuer

Negative Pledge

So long as any Notes remain outstanding, neither the Issuer, the Parent Guarantor nor any of their respective Subsidiaries will create any Lien (as defined below) over the whole or any part of its undertaking, assets or revenue (including any uncalled capital), present or future, in order to secure any Relevant Debt (as defined below) or to secure any guarantee of or indemnity in respect of Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Indenture or, as the case may be, the Parent Guarantor's obligations under the Parent Guarantee (i) are secured equally and ratably therewith or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement not materially less beneficial to the Noteholders or as shall be approved by Holders of a majority of the principal amount of the Notes.

Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors; Additional Guarantors

The Indenture provides that, subject to the provisions described above under "*—Repurchase Upon a Change of Control Offer*", without the consent of the Noteholders, at any time (i) the Issuer and any Guarantor may consolidate with or merge into any other person or sell, convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any person (other than any sale or conveyance by way of lease in the ordinary course of business), (ii) the Parent Guarantor may substitute for the Issuer another Subsidiary (as defined below) of the Parent Guarantor as principal debtor under the Notes (a **Substitute Issuer**), (iii) the Parent Guarantor may substitute as Parent Guarantor a holding company of which it has become a direct or indirect wholly-owned subsidiary (a **Substitute Parent Guarantor**), (iv) the Subsidiary Guarantor may substitute as Subsidiary Guarantor another Subsidiary of the Parent Guarantor (a **Substitute Subsidiary Guarantor** and, together with the Substitute Parent Guarantor, a **Substitute Guarantor**), and (v) the Issuer may appoint another Subsidiary of the Parent Guarantor as additional Guarantor (an **Additional Guarantor**), if and only if:

a) any Substitute Issuer, Substitute Guarantor or other successor person shall expressly assume the Issuer's or such Guarantor's respective obligations in their entirety under the Notes or the relevant Guarantee, as the case may be, and under the Indenture;

b) any Additional Guarantor shall guarantee the Issuer's obligations under the Notes and the Indenture in the manner set forth therein, shall duly authorise the execution and delivery of a supplemental indenture thereto to provide for such guarantee, and shall do all things necessary to make such supplemental indenture a valid agreement;

c) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

d) the Substitute Issuer, Substitute Guarantor, Additional Guarantor or other successor person is organised under the laws of the United States, the United Kingdom (including the Channel Islands and the Isle of Man), the Cayman Islands or any other country that is a member of the Organisation for Economic Co-operation and Development as of the date of such succession;

e) the Substitute Issuer, Substitute Guarantor, Additional Guarantor or other successor person agrees to pay any Additional Amounts in respect of any Taxes imposed by the jurisdiction in which such person is incorporated or is a resident for tax purposes or in which it is otherwise generally subject to tax;

f) if as a result of such consolidation or merger or such sale, conveyance, transfer or lease, properties or assets of the Parent Guarantor or any Principal Subsidiary (as defined below) would become subject to a Lien to secure payment of any Relevant Debt for borrowed money of the Parent Guarantor or any Principal Subsidiary which would not be permitted under the Indenture, the Parent Guarantor or any Principal Subsidiary or such successor person, as the case may be, prior to or simultaneous to the consolidation or merger or such sale, conveyance, transfer or lease, as the case may be, shall take such steps as shall be necessary to effectively secure the Notes equally and ratably with (or prior to) all Relevant Debt for borrowed money secured thereby;

g) in the case of a Substitute Issuer, (i) the obligations of the Substitute Issuer arising under or in connection with the Notes are guaranteed by the Parent Guarantor (or the Substitute Parent Guarantor, if applicable), the Subsidiary Guarantor (or the Substitute Subsidiary Guarantor, if applicable) and any Additional Guarantor at such time, in each case on the same terms as existed immediately prior to such substitution under the Guarantees given by such Guarantors, (ii) the Parent Guarantor (or the Substitute Parent Guarantor, if applicable), the Issuer and the Substitute Issuer jointly and severally indemnify each beneficial owner of Notes for any income tax or other tax (if any) payable by such beneficial owner of Notes solely as a result of the substitution of the Substitute Issuer, and (iii) each stock exchange on which the Notes are listed shall have confirmed that, following the proposed substitution of the Substitute Issuer, the Notes will continue to be listed on such stock exchange; and

h) in the case of a Substitute Issuer or Substitute Guarantor, each Rating Agency that rates the Notes shall have confirmed following the proposed substitution of the Substitute Issuer or the Substitute Guarantor, as the case may be, that (i) the Notes will have the same or better solicited long-term public credit rating as immediately prior to such substitution and (ii) the Trustee shall have confirmed its acceptance of such substitution in compliance with certain regulatory requirements to which it is subject.

In addition, the Subsidiary Guarantee may be terminated at any time and the Subsidiary Guarantor may be released from its obligations thereunder without the consent of the Noteholders if at any time each Rating Agency shall have confirmed to the Trustee that the Notes will continue, following the proposed termination of the Subsidiary Guarantee, to have the same or better solicited long-term public credit rating as immediately prior to such termination.

The Notes will not contain covenants or other provisions to afford protection to the Noteholders in the event of a highly leveraged transaction or a change in control of the Parent Guarantor, except as provided above.

Upon the effectiveness of any substitution, all of the foregoing provisions will apply *mutatis mutandis*, and references elsewhere herein to the Issuer or a Guarantor will, where the context so requires, be deemed to be or include references, to any successor company.

A substitution of the Issuer or the Guarantors of the Notes might be deemed for US federal income tax purposes to be an exchange of the Notes for new Notes by each beneficial owner, resulting in a recognition of taxable gain or loss for US federal income tax purposes and possibly certain other adverse tax consequences. Investors should consult their tax adviser regarding the US federal, state and local income tax consequences of a substitution.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Notes and the Indenture. Investors should refer to the Notes and the Indenture for the full definition of all defined terms as well as any other terms used herein for which no definition is provided.

Business Day means each day which is not, in London, England, or New York City, United States, or any other Place of Payment, a Saturday, Sunday, legal holiday or a day on which banking institutions are authorised or obligated by law or regulation to close.

Lien means any mortgage, charge or deed of trust, pledge, lien or other form of encumbrance or similar security interest.

person means any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organisation or government or any agency or political subdivision thereof.

Place of Payment means in London, England, an office or agency (a) where the Notes may be presented for payment, (b) where the Notes may be presented for registration of transfer and for exchange as provided in the Indenture and (c) where notices and demands to or upon the Issuer in respect of the Notes or the Indenture may be served.

Principal Subsidiary means:

a) any Subsidiary of the Parent Guarantor which is an active trading company and whose adjusted unconsolidated assets or pre-tax profit equal or exceed 10 per cent of the consolidated assets or adjusted consolidated pre-tax profit of the Group, and for the purposes of this definition:

   (i) the consolidated assets of the Group shall be ascertained by reference to the latest audited published consolidated accounts of the Group;

   (ii) the adjusted consolidated pre-tax profit of the Group shall be the aggregate of:

      A the consolidated pre-tax profit of the Group ascertained by reference to the latest audited published consolidated accounts of the Group; and

      B the consolidated pre-tax profit (the pre-acquisition profit) of any Subsidiary which became a member of the Group during the period for which the latest audited published consolidated accounts of the Group were prepared (an **acquired Subsidiary**) for the part of that period which falls before the effective date of that acquisition, calculated in accordance with IFRS and used in the preparation of the latest audited published accounts of the Group;

   (iii) the assets of any Subsidiary shall be the assets of that Subsidiary calculated in accordance with IFRS and used in the preparation of the latest audited published accounts of the Group; and

   (iv) the pre-tax profit of any Subsidiary shall be the pre-tax profit of that Subsidiary calculated in accordance with IFRS and used in the preparation of the latest audited published accounts of

the Group plus, in the case of any acquired Subsidiary, an amount equal to any pre-acquisition profit.

For the purposes of the above, "assets" in respect of the Group or any such Subsidiary means the non-current assets and current assets of the Group or that trading Subsidiary (as the case may be) but excluding investments in any Subsidiary and intra-Group balances and "pre-tax profit" in respect of the Group or any such Subsidiary excludes intra-Group interest payable and receivable and intra-Group dividends; or

b) a Subsidiary of the Parent Guarantor to which has been transferred (whether by one transaction or a series of transactions related or not) the whole or substantially the whole of the assets of a Subsidiary which immediately prior to those transactions was a Principal Subsidiary.

A certificate signed by two directors or authorised signatories of the Parent Guarantor whether or not addressed to the Trustee that, in their opinion, a Subsidiary of the Parent Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Parent Guarantor and the Noteholders, all as further provided in the Indenture.

Relevant Debt means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being or are capable of being listed, quoted or ordinarily traded on any stock exchange, automated trading system, over-the-counter or other securities market.

Subsidiary of any person means any entity whose affairs are required by law or in accordance with IFRS to be consolidated in the consolidated accounts of such person.

Events of Default

The following will be Events of Default (each, an **Event of Default**) with respect to the Notes:

a) *Non-Payment*: default is made for more than 30 days (in the case of interest or Additional Amounts) in the payment on the due date of interest or Additional Amounts in respect of the Notes, or default in the payment of all or any part of the principal or premium, if any, of any Note as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise and continuance of such default for seven days; or

b) *Breach of Other Obligations*: other than as described in paragraph a) above, the Issuer, the Parent Guarantor or the Subsidiary Guarantor or any substitutes therefor does not perform or comply with any one or more of its other obligations under the Notes, the Guarantees, or the Indenture which is not remedied within 30 days after written notice of such default shall have been given to the Issuer (with copies to the Parent Guarantor) by the Trustee; or

c) *Cross-Default*: (i) any other present or future indebtedness for borrowed money of the Issuer, the Parent Guarantor, or the Subsidiary Guarantor, or any substitute therefor, or any of the Parent Guarantor's Principal Subsidiaries becomes due and payable prior to its stated maturity by reason of any default or event of default (howsoever described) and remains unpaid, (ii) any such indebtedness for borrowed money is not paid when due or, as the case may be, within any applicable grace period or (iii) the Issuer, the Parent Guarantor, or the Subsidiary Guarantor, or any substitute therefor, or any of the Parent Guarantor's Principal Subsidiaries fails to pay when due and called upon (after the expiry of any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for borrowed money and which remains unpaid provided that (A) in the case of (iii) above, such guarantee or indemnity is not being contested in good faith and in accordance with legal advice or (B) the aggregate amount of the relevant indebtedness for borrowed money, guarantees and indemnities in respect of which one or more of the events mentioned above in (i), (ii) and (iii) has or have occurred and is or are continuing, equals or exceeds £50,000,000 or its equivalent in any other currency of the relevant indebtedness for borrowed money, guarantee or indemnity; or

d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenue of the Issuer, the Parent

Guarantor, or the Subsidiary Guarantor, or any substitute therefor, or any of the Parent Guarantor's Principal Subsidiaries and is not discharged or stayed within 60 days thereof; or

e) *Insolvency*: any of the Issuer, the Parent Guarantor, or the Subsidiary Guarantor, or any substitute therefor, or any of the Parent Guarantor's Principal Subsidiaries is insolvent or bankrupt or unable to pay its debts (within the meaning of Section 123(1)(b) or (e) or Section 123(2) of the UK Insolvency Act 1986), stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition (otherwise than for the purposes of reconstruction, amalgamation, reorganisation, merger or consolidation or other similar arrangement, or in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Parent Guarantor, or any substitute therefor, or another of its Subsidiaries) with or for the benefit of its creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Parent Guarantor, or the Subsidiary Guarantor, or any substitute therefor, or any of the Parent Guarantor's Principal Subsidiaries; or

f) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Parent Guarantor, or the Subsidiary Guarantor, or any substitute therefor, or any of the Parent Guarantor's Principal Subsidiaries, or the Issuer, the Parent Guarantor or any of the Parent Guarantor's Principal Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation or other similar arrangement, or in the case of a Principal Subsidiary, whereby the undertakings and assets of the Principal Subsidiary (or, as applicable, the relevant part thereof) are transferred to or otherwise vested in the Parent Guarantor, or the Subsidiary Guarantor, or any substitute therefor, or another of its Subsidiaries and except that neither the Issuer, the Parent Guarantor, or the Subsidiary Guarantor, or any substitute therefor, nor any of the Parent Guarantor's Principal Subsidiaries shall be treated as having threatened to cease or having ceased to carry on all or substantially all of its business or operations by reason of any announcement of any disposal or by reason of any disposal on an arm's length basis; or

g) *Ownership of the Issuer*: the Issuer or, if applicable, Substitute Issuer ceases to be directly or indirectly wholly-owned by the Parent Guarantor or, if applicable, the Substitute Parent Guarantor except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation permitted hereby (including, for greater certainty, pursuant to the events described in "*—Covenants of the Issuer—Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors; Additional Guarantors*" above); or

h) *Guarantees*: any of the Guarantees cease to be valid and legally binding for any reason other than a termination in accordance with its terms or a Guarantor seeks to deny or disaffirm its obligations under its Guarantee.

The Indenture provides that if an Event of Default with respect to the Notes occurs and is continuing, then and in each and every such case (other than certain Events of Default specified in paragraphs e) and f) above with respect to the Issuer and the Guarantors), unless the principal of all Notes shall have already become due and payable, either the Trustee or the Holders of not less than 25 per cent in aggregate principal amount of the Notes then outstanding, by notice in writing to the Issuer and the Guarantors (and to the Trustee if given by the Holders), may, and the Trustee at the request of such Holders shall, subject to its receiving indemnification and/or security to its satisfaction, declare the entire principal amount of all outstanding Notes issued pursuant to the Indenture and interest accrued and unpaid thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, without any further declaration or other act on the part of the Trustee or any Holder. If certain Events of Default described in paragraphs e) and f) above occur with respect to the Issuer and the Guarantors and are continuing, the principal amount of and accrued and unpaid interest on all outstanding Notes issued pursuant to the Indenture shall become immediately due and payable, without any

declaration or other act on the part of the Trustee or any Holder. Under certain circumstances, the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer, the Guarantors and the Trustee, may waive certain defaults (except with respect to payments of interest and principal) and rescind and annul declarations of acceleration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

The Holders of a majority in aggregate principal amount of the Notes then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, subject to certain limitations to be specified in the Indenture.

The Indenture provides that no Holder of any Note may institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to the Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy under the Indenture (except suits for the enforcement of payment of overdue principal or interest) unless such Holder previously shall have given to the Trustee written notice of an Event of Default and continuance thereof and unless the Holders of not less than 25 per cent in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee and shall have offered the Trustee indemnity and/or security (in the manner and form provided in the Indenture) as it may require against the costs, expenses and liabilities to be incurred therein or thereby, the Trustee shall not have instituted any such action or proceeding within 60 days of its receipt of such notice, request and offer of indemnity and/or security and the Trustee shall not have received direction inconsistent with such written request by the Holders of a majority in aggregate principal amount of the Notes at the time outstanding.

The Indenture will also provide that the Issuer will furnish to the Trustee on or before 31 January in each year (commencing on 31 January 2023), if any Notes are then outstanding, and within 15 days of a written request of the Trustee, a certificate from an officer of the Issuer as to his or her best knowledge of the Issuer's compliance with all conditions and covenants under the Indenture, which certificate may merely state that such officer has no knowledge of any default.

Defeasance

The Indenture will provide that the Issuer will have the option either (a) to be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the Notes and to have satisfied all the obligations under the Indenture (except for certain obligations, including those relating to the defeasance trust and obligations to register the transfer or exchange of Notes, to pay Additional Amounts, to replace mutilated, destroyed, lost or stolen Notes and to maintain paying agencies) on the 91st day after the applicable conditions described below have been satisfied or (b) to cease to be under any obligation to comply with the covenants described above under "*—Covenants of the Issuer—Negative Pledge*" and the condition relating to the absence of any events of default under "*—Covenants of the Issuer—Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors; Additional Guarantors*" under the Notes, and non-compliance with any such sections or provisions will not give rise to any Event of Default under the Notes, at any time after the applicable conditions described below have been satisfied.

In order to exercise either defeasance option, the Issuer must deposit with the Trustee or with the Trustee's agent as the Trustee directs, irrevocably in trust, money, Government Obligations (as defined in the Indenture) or a combination of these sufficient for the payment of principal of, premium, if any, and interest on the outstanding Notes on the dates such instalments of interest or principal are due or to and including the redemption date irrevocably designated by the Issuer on or prior to the date of deposit of such money or Government Obligations, and must (i) comply with certain other conditions as stated in the Indenture, including delivering to the Trustee an opinion of US counsel, or a ruling received from the US Internal Revenue Service, to the effect that beneficial owners of the Notes will not recognise income, gain or loss for United States federal income tax purposes as a result of such defeasance and will be subject to United States federal income tax on the same amount and in the same manner and at the same time as would have been the case if such defeasance had not occurred and, in the case of paragraph (a) above, such opinion must state that it is based on a change of applicable US federal income tax law after the Issue Date of the Notes and (ii) pay in full all other amounts due and owing under the Indenture.

Modification and Waiver

Without Consent of Noteholders

The Indenture will contain provisions permitting the Issuer, the Guarantors, the Trustee and the Agent, without notice to or the consent of the Holders of any of the Notes at any time outstanding, from time to time and at any time, to enter into an indenture or indentures supplemental thereto:

- to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Notes any property or assets;
- to evidence the succession of another person to the Issuer or any Guarantor, or the substitution or addition of another person as Guarantor, or successive successions, substitutions or additions and the assumption by such person(s) of the covenants, agreements and obligations of the Issuer or any Guarantor pursuant to the Indenture;
- to evidence and provide for the acceptance of appointment of a successor or successors to the Trustee, the Agent and/or any paying agent, transfer agent or registrar, as applicable;
- to add to the covenants of the Issuer or any Guarantor, such further covenants, restrictions, conditions or provisions as the Issuer, any such Guarantors and the Trustee shall consider to be for the protection of the Holders of the Notes, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default under the Notes permitting the enforcement of all or any of the several remedies provided in the Indenture; provided that, in respect of any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a particular period of grace after default (which may be shorter or longer than that allowed in the case of other defaults) or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of Holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;
- to modify the restrictions on, and procedures for, resale and other transfers of the Notes pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;
- (i) to cure any ambiguity, omission or error or to correct or supplement any provision contained in the Indenture which may be defective or inconsistent with any other provision contained therein or in any supplemental indenture, or (ii) to make such other provisions in regard to matters or questions arising under the Indenture or under any supplemental indenture as the Issuer or the Trustee may deem necessary or desirable and which will not adversely affect the interests of the Holders of the Notes in any material respect; and
- to "reopen" the Notes and create and issue additional notes having identical terms and conditions as the Notes (or in all respects except for the issue date, issue price, payment of interest accruing prior to the issue date of such additional notes and/or the first payment of interest following the issue date of such additional notes) so that the additional notes are consolidated and form a single series with the outstanding Notes.

With Consent of Noteholders

The Indenture will contain provisions permitting the Issuer, the Guarantors, the Trustee and the Agent, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes), from time to time and at any time, to enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes, provided that no such indenture may, without the consent of the Holder of each of the Notes so affected:

- change the stated maturity of, or the date for payment of any principal of, or instalment of interest on, any Note; or

- reduce the principal amount of or the rate or amount of interest on any Note or Additional Amounts payable with respect thereto or reduce the amount payable thereon in the event of redemption or default; or
- change the currency of payment of principal of or interest on any Note or Additional Amounts payable with respect thereto; or
- change the obligation of the Issuer or any Guarantor to pay Additional Amounts (except as otherwise permitted by the Notes); or
- impair the right to institute suit for the enforcement of any such payment on or with respect to any Note; or
- reduce the percentage of the aggregate principal amount of the Notes outstanding, the consent of whose Holders is required for any such supplemental indenture; or
- reduce the aggregate principal amount of any Note outstanding necessary to modify or amend the Indenture or any such Note or to waive any future compliance or past default or reduce the quorum requirements or the percentage of aggregate principal amount of Notes outstanding required for the adoption of any action at any meeting of Holders or to reduce the percentage of the aggregate principal amount of Notes outstanding necessary to rescind or annul any declaration of the principal of all accrued and unpaid interest on any Note to be due and payable,

provided that no consent of any Holder of any Note shall be necessary to permit the Agent, the Trustee, the Guarantors and the Issuer to execute a supplemental indenture as described under "*—Modification and Waiver—Without Consent of Noteholders*" above.

Any modifications, amendments or waivers to the Indenture or to the conditions of the Notes will be conclusive and binding on all Holders, whether or not they have consented to such action or were present at the meeting at which such action was taken, and on all future Holders of Notes, whether or not notation of such modifications, amendments or waivers is made upon the Notes. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent registered Holders of such Note.

Restrictions on Transfer

The Initial Purchasers propose to resell the Rule 144A Notes to certain QIBs in the United States in reliance on Rule 144A. The Rule 144A Notes may not be sold or otherwise transferred except, in the United States, pursuant to registration under the Securities Act or in accordance with Rule 144A or, outside the United States, pursuant to Rule 904 of Regulation S or, in either case, in a resale transaction that is otherwise exempt from such registration requirements, and each global note representing Rule 144A Notes will bear a legend to this effect. In light of current US securities laws, subject to certain exceptions, an exemption should be available for a sale or transfer of a Rule 144A Note after its Specified Date. The **Specified Date** means, with respect to any Rule 144A Note, the date following the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act (such period, the **Applicable Holding Period**) from the later of the date of acquisition of such Rule 144A Note from (i) the Issuer or (ii) an affiliate of the Issuer, and any resale of such Rule 144A Note in reliance on Rule 144 under the Securities Act for the account of either the acquirer or any subsequent Holder of such Rule 144A Note, in each case demonstrated to the reasonable satisfaction of the Issuer (which may require delivery of legal opinions). Unless a Holder of a Rule 144A Note holds such Rule 144A Note for the entire Applicable Holding Period, such Holder may not be able to determine the Specified Date because such Holder may not be able to determine the last date on which the Issuer or any affiliate thereof was the beneficial owner of such Holder's Rule 144A Note. The Agent for the Notes will not be required to accept for registration or transfer any Rule 144A Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer may from time to time agree with the Agent.

Prescription

Under New York's statute of limitations, any legal action upon the Notes and the Guarantees in respect of interest or principal must be commenced within six years after the payment thereof is due. Thereafter any such legal action on the Notes and the Guarantees will become generally unenforceable.

Notices

Notices to Holders of Notes will be given by first class mail postage or internationally recognised courier service prepaid to the last addresses of such Holders as they appear in the Notes register. Such notices will be deemed to have been given on the date of such mailing. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

So long as any global notes representing the Notes are held in their entirety on behalf of a clearing system, or any of its participants, notices to Holders regarding the Notes will be delivered to the clearing system, and its participants, for communication by them to the entitled account holders. Any such notice shall be deemed to have been given to the account holders on the third day after the day on which the said notice was given to the clearing system, and its participants.

Listing

Application has been made for the Notes to be listed on the Official List and for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange.

Consent to Service

The Issuer will initially designate Cogency Global Inc. at 122 East 42nd Street, 18th Floor, New York, New York 10168, United States, as its authorised agent for service of process in any legal suit, action or proceeding arising out of or relating to the performance of its obligations under the Indenture and the Notes brought in any state or federal court in the Borough of Manhattan, the City of New York, and will irrevocably submit (but for those purposes only) to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding.

Governing Law

The Notes, the Guarantees and the Indenture shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws thereof.

BOOK-ENTRY, DELIVERY AND FORM

The Notes that are initially offered and sold in the United States to QIBs (the **Rule 144A Notes**) will be represented by beneficial interests in one or more global notes (the **Rule 144A Global Note**) in registered form without interest coupons, which will be deposited on or about the closing date of the Offering (the **Closing Date**) with The Bank of New York Mellon as custodian for DTC (the **Custodian**) and registered in the name of Cede & Co., as nominee of DTC.

The Notes that are initially offered and sold in reliance on Regulation S (the **Regulation S Notes**) will be represented by beneficial interests in one or more global notes (the **Regulation S Global Note**) in registered form without interest coupons, which will be deposited on or about the Closing Date with the Custodian and registered in the name of Cede & Co., as nominee of DTC.

Investors may hold their interests in the global notes directly through DTC if they are participants in, or indirectly through organisations that are participants in, such system. Euroclear and Clearstream, Luxembourg will hold interests in the Rule 144A Notes and Regulation S Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are participants in DTC.

So long as DTC or its nominee is the registered Holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by the applicable global note for all purposes under the Indenture and the Notes (except as the context otherwise requires in respect of Additional Amounts). The Notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear a legend regarding such restrictions as set forth under "*Transfer Restrictions*". Under certain circumstances, transfers may be made only upon receipt by the Agent, in its capacity as Transfer Agent, as well as the Trustee and the Issuer, of a written certification in the form set out in the Indenture.

Transfers within Global Notes

Subject to the procedures and limitations described herein, transfers of beneficial interests within a global note may be made without delivery to the Issuer, the Trustee or the Agent of any written certifications or other documentation by the transferor or transferee.

Transfers between Global Notes

A beneficial interest in a Rule 144A Note may be transferred to a person who wishes to take delivery of such beneficial interest through the applicable Regulation S Note only upon receipt by the Agent of a written certification (in the form set out in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or, in the case of an exchange occurring following the Specified Date, Rule 144. A beneficial interest in a Regulation S Note may be transferred to a person who wishes to take delivery of such beneficial interest through the applicable Rule 144A Note only upon receipt by the Agent of a written certification (in the form set out in the Indenture) from the transferor to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. Any beneficial interest in a Rule 144A Note or a Regulation S Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other global note will, upon transfer, cease to be a beneficial interest in such global note and become a beneficial interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other global note for so long as such person retains such an interest.

Transfers or Exchanges from Global Notes to Definitive Notes

No global note representing a Rule 144A Note or Regulation S Note may be exchanged in whole or in part for notes in definitive registered form (**definitive notes**) unless:

- DTC notifies the Issuer that it is unwilling or unable to hold the applicable global note or DTC ceases to be a clearing agency registered under the Exchange Act, and in each case the Issuer does not appoint a successor depositary that is registered under the Exchange Act within 90 days; or
- a payment default has occurred and is continuing; or
- in the event of a bankruptcy default, the Issuer fails to make payment on the Notes when due; or
- the Issuer shall have determined in its sole discretion that the Notes shall no longer be represented by global notes.

The Holder of a definitive note may transfer such note by surrendering it at the specified office of the Agent. Upon the transfer, exchange or replacement of a Rule 144A definitive note bearing the applicable legend set forth under "*Transfer Restrictions*", or upon a specific request for removal of such legend on a definitive note, the Issuer will deliver only definitive notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Agent such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Each such definitive note will include terms substantially in the form of those set forth in the Indenture. Except as set forth herein, no global note may be exchanged in whole or in part for definitive notes.

Clearing and Settlement

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information about DTC set forth below has been obtained from sources that the Issuer and the Guarantors believe to be reliable, including DTC, but none of the Issuer, the Guarantors or any of the Initial Purchasers takes any responsibility for the accuracy of the information. If investors wish to use the facilities of any clearing system they should confirm the applicability of the rules, regulations and procedures of the relevant clearing system. None of the Issuer, the Guarantors, the Trustee or any of the Initial Purchasers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in, Notes held through the facilities of any clearing system, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC participants and to facilitate the clearance and settlement of transactions between DTC participants through electronic book-entry changes in accounts of DTC participants, thereby eliminating the need for physical movement of certificates. DTC participants include certain of the Initial Purchasers, securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organisations (**DTC participants**). Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (**indirect DTC participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC is required to make book-entry transfers of Notes among DTC participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system as described below (the **DTC Notes**) and to receive and transmit distributions of the nominal amount and interest on the DTC Notes. DTC participants and indirect DTC participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through DTC participants or indirect DTC participants will not possess Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which such Owners will receive payments and will be able to transfer their interests with respect to the Notes.

Transfers of ownership or other interests in the Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of

the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers. So long as DTC, or its nominee, is the registered Holder of a global note, payments on the Notes will be made in immediately available funds to DTC. DTC's practice is to credit DTC participants' accounts on the applicable payment date in accordance with their respective holdings shown on its records, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of the DTC participants and not of DTC, or any other party, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the Agent. Disbursement of payments for DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of the beneficial interests to pledge Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited. DTC will take any action permitted to be taken by an Owner only at the direction of one or more DTC participants to whose account with DTC such Owner's DTC Notes are credited. Additionally, DTC has advised the Issuer that it will take such actions with respect to any percentage of the beneficial interest of Owners who hold Notes through DTC participants or indirect participants only at the direction of and on behalf of DTC participants whose account holders include undivided interests that satisfy any such percentage.

To the extent permitted under applicable law and regulations, DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC participants whose account holders include such undivided interests.

Ownership of interests in the Rule 144A Notes and the Regulation S Notes will be shown on, and the transfer of that ownership will be effected only through records maintained by, DTC, the DTC participants and the indirect DTC participants, including Euroclear and Clearstream, Luxembourg. Transfers between participants in DTC, as well as transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with DTC rules.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between DTC, on the one hand, and participants in Euroclear or Clearstream, Luxembourg, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be. Such cross-market transactions, however, will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to DTC to take action to effect final settlement on its behalf by delivering or receiving payment in accordance with DTC's Same Day Funds Settlement System.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantors, the Trustee or the Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement in Relation to DTC Notes

Upon the issuance of a DTC Note deposited with DTC or a custodian therefor, DTC or its custodian, as the case may be, will credit, on its internal system, the respective nominal amount of the individual beneficial interest represented by such relevant DTC Note or Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Initial Purchasers. Ownership of beneficial interest in a DTC Note will be limited to DTC participants, including Euroclear and Clearstream, Luxembourg or indirect DTC participants. Ownership of beneficial interests in DTC Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC participants (with respect to interests of indirect DTC participants). Investors that hold their interests in a DTC Note will follow the settlement procedures applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same day funds on the Issue Date.

Secondary Market Trading in Relation to DTC Notes

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC has agreed to the following procedures in order to facilitate transfers of interests in global notes deposited with DTC or a custodian therefor among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any agent of the Issuer will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Secondary market trading between DTC participants will be settled using the procedures applicable to global bond issues in same day funds.

Payments

So long as any of the Notes remains outstanding and the Notes are admitted to trading on the Professional Securities Market of the London Stock Exchange, the Issuer will maintain in London, England, an office or agency (a) where the Notes may be presented for payment, (b) in the case of the Issuer, where the Notes may be presented for registration of transfer and for exchange and (c) where notices and demands to or upon the Issuer in respect of the Notes or the Indenture may be served. The Issuer will give the Agent and the Trustee written notice of the location of any such office or agency and of any change of location thereof. The Issuer will initially designate the Agent for such purposes. The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of any obligation to maintain an office or agency in London, England, for such purposes. The Issuer shall give written notice to the Agent and the Trustee of any such designation or rescission and of any such change in the location of any other office or agency.

A Holder of Notes may transfer or exchange Notes in accordance with their terms. The Agent will not be required to accept for registration or transfer any Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer may from time to time agree with such Agent.

Notwithstanding any statement herein, the Issuer reserves the right to impose or remove such transfer, certification, substitution or other requirements, and to require such restrictive legends on the Notes, as it may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws or as may be required by any stock exchange on which the Notes are listed. The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes and any other expenses (including the fees and expenses of the Trustee and/or the Agent). No service charge will be made for any such transaction.

The Agent will not be required to exchange or register a transfer of (a) any Notes for a period of 15 days ending the due date for any payment of principal in respect of the Notes or the first mailing of any notice of redemption of Notes to be redeemed or (b) any Notes selected, called or being called for redemption.

The Notes will be issued in registered form without coupons and transferable in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in the global notes is limited to such extent.

UK TAX CONSIDERATIONS

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current UK law and published HMRC practice relating to certain aspects of UK taxation. References to "interest" refer to interest as that term is understood for UK tax purposes. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Notes

Payments of interest on the Notes by the Issuer may be made without deduction of or withholding on account of UK income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the UK Income Tax Act 2007 (the **Act**). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction on account of UK tax.

Interest on the Notes paid by the Issuer may also be paid without withholding or deduction on account of UK tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to UK corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a UK source by the Issuer on account of UK income tax at the basic rate (currently 20 per cent), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The UK withholding tax treatment of payments by the Guarantors under the terms of the Guarantees which have a UK source is uncertain. In particular, such payments by the Guarantors may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the Guarantors make any such payments, these may be subject to UK withholding tax at the basic rate.

Further United Kingdom Tax Issues

Interest on the Notes that constitutes UK source income for tax purposes may, as such, be subject to income tax by direct assessment even where paid without withholding.

However, a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom who receives interest with a UK source without deduction or withholding on account of UK tax will not be liable for UK tax on such interest unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a UK branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agents (such as some brokers and investment managers). The provisions of an applicable double tax treaty may also be relevant for such Noteholders.

United Kingdom Corporation Tax Payers

In general, Noteholders which are within the charge to UK corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their IFRS or UK GAAP accounting treatment.

Other United Kingdom Tax Payers

Taxation of chargeable gains

A disposal of Notes by an individual Noteholder who is resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains. An individual Noteholder who ceases to be resident in the United Kingdom for tax purposes and then reacquires UK tax residence before five complete tax years have elapsed and who disposes of their Notes during that period of non-residence may also be liable on their return to the United Kingdom to tax on any capital gain realised. Otherwise, the disposal of the Notes by an individual Noteholder who is neither resident in the United Kingdom nor carries on a trade, profession or vocation in the United Kingdom through a branch or agency should not give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains.

Taxation of discount or premium (if any)

The Notes may constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the UK Income Tax (Trading and Other Income) Act 2005. Any gain realised on redemption or transfer of Notes which are "deeply discounted securities" by a Noteholder who is within the charge to UK income tax in respect of the Notes will generally be taxable as income, but such Noteholder will not be able to claim relief from income tax in respect of costs incurred on the acquisition, transfer or redemption of such Notes or losses incurred on the transfer or redemption of such Notes.

Accrued income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last Interest Payment Date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Noteholder is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

The Notes may constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme, on a disposal of Notes by a Noteholder who is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable, the Noteholder may be charged to income tax on an amount of income which is just and reasonable in the circumstances. The purchaser of such a Note will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Notes (which may therefore be taxable in full).

Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty or stamp duty reserve tax (**SDRT**) is payable on the issue of the Notes. No UK stamp duty or SDRT is payable on the transfer of the Notes if (i) the Notes are "exempt loan capital" (that is, if section 79(4) of the UK Finance Act 1986 applies to the Notes) or (ii) the transfer is effected otherwise than by way of written instrument and the Notes are held within DTC such that the requirements of section 90(5) of the UK Finance Act 1986 are satisfied (provided that DTC has not and will not make an election under section 97A of the UK Finance Act 1986). The Issuer understands that DTC has not made such an election.

However, stamp duty and/or SDRT may become payable in relation to or following the exercise of the Issuer's defeasance option. This will depend upon the basis upon which money or government obligations are deposited with the Trustee.

US FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain US federal income tax consequences to a US Holder (as defined herein) of owning and disposing of Notes, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire such Notes. This discussion only applies to US Holders who hold Notes as capital assets for US federal income tax purposes and acquire such Notes pursuant to this Offering at the "issue price", which will equal the first price to the public (not including bond houses, brokers or similar persons or organisations acting in the capacity of initial purchasers, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money. This discussion is for general information purposes only and does not describe all of the US federal income tax consequences that may be relevant to a Holder in light of the Holder's particular circumstances or to Holders subject to special rules, such as: (i) certain financial institutions; (ii) insurance companies; (iii) dealers and certain traders in securities; (iv) regulated investment companies; (v) real estate investment trusts; (vi) partnerships, certain pass-through entities or persons that hold Notes through pass-through entities; (vii) persons holding Notes as part of a hedge, straddle, conversion or other integrated transaction; (viii) persons whose functional currency for US federal income tax purposes is not the US dollar; (ix) tax-exempt organisations; (x) certain persons who have ceased to be United States citizens or resident aliens; (xi) persons who tender notes of the Group in a substantially concurrent tender offer; or (xii) persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. This discussion does not address US federal estate, gift, Medicare contribution or alternative minimum tax considerations, or non-US, state or local tax considerations.

This discussion is based on the US Internal Revenue Code of 1986, as amended, its legislative history, administrative pronouncements, published rulings and judicial decisions, and final, temporary and proposed US Treasury regulations, all as of the date of this Offering Memorandum, all of which are subject to change at any time, possibly on a retroactive basis. Prospective purchasers should consult their own tax advisers concerning the US federal, state, local and non-US tax consequences of purchasing, owning and disposing of Notes in their particular circumstances.

As used herein, the term **US Holder** means a person that, for US federal income tax purposes, is a beneficial owner of a Note and: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation, created or organised in or under the laws of the United States or any political subdivision thereof; (iii) an estate, the income of which is subject to US federal income taxation regardless of its source; or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or (b) such trust has a valid election in effect under applicable US Treasury regulations to be treated as a US person. A **Non-US Holder** is a beneficial owner of Notes that is neither a US Holder nor a partnership (or other pass-through entity).

The US federal income tax treatment of a partner in a partnership, or other entity treated as a partnership for US federal tax purposes, that holds Notes will depend on the status of the partner and the activities of the partnership. Partnerships owning Notes and partners in such partnerships should consult their own tax advisers regarding the tax consequences of acquiring, holding and disposing of Notes.

Effect of Certain Contingencies

Special rules apply to debt instruments with payments that vary or are contingent upon a specified event, such as an interest rate based on the credit quality of the issuer, including rules for variable rate debt instruments (**VRDIs**) and for contingent payment debt instruments (**CPDIs**). The Issuer intends to treat the Notes as VRDIs, and the discussion below assumes that the Notes will be treated as VRDIs. It is possible, however, that the US Internal Revenue Service could assert that the Notes should be treated as CPDIs, which could materially and adversely affect the amount, timing and character of income, gain or loss with respect to an investment in the Notes. Under the CPDI rules, US Holders might be required to accrue income at a higher rate than the coupon on the Notes, subject to certain adjustments based on the difference between amounts actually received in a taxable year and projected payments, and to treat any gain on disposition of the Notes as ordinary interest income. The

CPDI rules are complex. Accordingly, prospective purchasers of the Notes are urged to consult their own tax advisers regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Payments of Interest

It is expected, and the following discussion assumes, that the Notes will be issued with less than a *de minimis* amount of original issue discount for US federal income tax purposes. Accordingly, interest paid on a Note (including any Additional Amounts and, without duplication, any amount withheld in respect of UK taxes) will be taxable to a US Holder as ordinary interest income at the time it accrues or is received in accordance with the US Holder's method of accounting for US federal income tax purposes. Interest income paid to a US Holder with respect to a Note will constitute foreign source income for US federal income tax purposes, which may be relevant to a US Holder in calculating the US Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. US Holders should consult their tax advisers concerning the foreign tax credit implications of any payment of UK taxes in the case UK taxes are withheld from payments on a Guarantee.

Substitution of the Issuer

In certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity as described under "*Description of the Notes and the Guarantees—Limitation on Mergers, Consolidations, Amalgamations and Combinations; Substitution of Issuer and Guarantors; Additional Guarantors*". Depending on the facts, such an assumption might be treated for US federal income tax purposes as a deemed disposition of Notes by a US Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a US Holder could be required to recognise gain or loss for US federal income tax purposes equal to the difference, if any, between the issue price of the "new" notes (as determined for US federal income tax purposes) and the US Holder's adjusted tax basis in the Notes, and the "new" notes may be treated as having original issue discount.

Sale, Exchange or Other Taxable Disposition of the Notes

Upon the sale, exchange or other taxable disposition of a Note, a US Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or other taxable disposition and the US Holder's adjusted tax basis in the Note, which will generally be its cost. For these purposes, the amount realised does not include any amount attributable to accrued interest, which will be treated as interest as described under "*—Payments of Interest*" above.

Gain or loss realised on the sale, exchange or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or other disposition the Note has been held for more than one year. Long-term capital gain may be taxable at reduced rates in the case of a US Holder that is an individual, estate or trust. The deductibility of capital losses is subject to significant limitations. Gain or loss will generally be treated as derived from US sources for purposes of computing a US Holder's foreign tax credit limitation.

Non-US Holders

Subject to the discussion below under "*—Information Reporting and Backup Withholding*", a Non-US Holder generally should not be subject to US federal income or withholding tax on any payments on the Notes or gain from the sale, redemption or other disposition of the Notes unless: (i) that payment or gain is effectively connected with the conduct by that Non-US Holder of a trade or business within the United States (and, if required under an applicable income tax treaty, is attributable to a permanent establishment within the United States) or (ii) in the case of any gain realised on the sale, redemption or other disposition of a Note by an individual Non-US Holder, that Non-US Holder is present in the United States for 183 days or more in the taxable year of the sale, redemption or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding

Payments on the Notes and proceeds from the sale of a Note that are made within the United States or through certain US-related financial intermediaries may be subject to information reporting and to backup withholding at the applicable statutory rate, unless the US Holder is a corporation or other exempt recipient or, in the case of backup withholding, the US Holder provides a correct taxpayer identification number, certifies that no loss of exemption from backup withholding has occurred, and otherwise complies with the backup withholding rules.

Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding. Amounts withheld under the backup withholding rules are not additional taxes. The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against such US Holder's US federal income tax liability and may entitle such US Holder to a refund, provided that the required information is timely furnished to the US Internal Revenue Service.

Certain US Holders that own "specified foreign financial assets" that meet certain US dollar value thresholds generally are required to file an information report with respect to such assets (or, if such assets are held through a non-US account, such non-US accounts with their tax returns). The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. US Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes. Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding.

PLAN OF DISTRIBUTION

Pursuant to the purchase agreement dated 20 July 2022 among the Initial Purchasers, the Issuer and the Guarantors (the **Purchase Agreement**), the Initial Purchasers have severally and not jointly agreed with the Issuer, subject to the satisfaction of certain conditions, to purchase the aggregate principal amount of the Notes. The respective principal amount of Notes to be purchased by each of the Initial Purchasers from the Issuer is set forth opposite its name below:

Initial Purchaser	**Principal amount of the Notes**
BofA Securities, Inc.	US$185,000,000
HSBC Securities (USA) Inc.	US$135,000,000
Mizuho Securities USA LLC	US$135,000,000
MUFG Securities Americas Inc.	US$135,000,000
Standard Chartered Bank	US$135,000,000
Wells Fargo Securities, LLC	US$135,000,000
Commerz Markets LLC	US$70,000,000
Emirates NBD Bank PJSC	US$70,000,000
Total	**US$1,000,000,000**

The Purchase Agreement entitles the Initial Purchasers to terminate the purchase of the Notes in certain circumstances prior to payment to the Issuer. The Issuer and the Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities in connection with the offer and sale of the Notes, including liabilities under the Securities Act, and may be required to contribute to payments the Initial Purchasers may be required to make in respect thereof.

The Initial Purchasers, or certain of their respective affiliates as selling agents, initially propose to offer part or all of the Notes at the Issue Price set forth on the cover page of this Offering Memorandum. After the initial Offering, the Issue Price and other selling terms may from time to time be varied by the Initial Purchasers.

The Issuer and each of the Guarantors have agreed with the Initial Purchasers that neither they nor any person acting on their behalf will, without the prior written consent of the Initial Purchasers, for the period from and including the date of the Purchase Agreement through and including the Closing Date, offer, sell, contract to sell or otherwise dispose of any debt securities of, or guaranteed by, the Issuer or the Guarantors, or warrants to purchase debt securities (other than private placements of debt securities) of, or guaranteed by, the Issuer or the Guarantors, that rank *pari passu* in right of payment with the Notes (other than the Notes).

The Notes are a new issuance of securities with no established trading market. The Notes are expected to be admitted to trading on the Professional Securities Market of the London Stock Exchange.

The Initial Purchasers are not obligated to make a market in the Notes and, even if such activities are commenced, they may be discontinued at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or any trading market for, the Notes. If the Notes are traded, they may trade at a discount from their initial Issue Price depending on prevailing interest rates, the market for similar securities, the operating performance and financial condition of the Group, general economic conditions and other factors.

In connection with the Offering, the Stabilising Manager (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes during the stabilisation period at a level other than that which might otherwise prevail for a limited period after the Issue Date. However, no assurance can be given that the Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. Such stabilisation action, if commenced, may cease at any time, and must be brought to an end after a limited period.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the possession, circulation or distribution of any material relating to the Offering in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may any offering material or advertisement in connection with the Notes (including this Offering Memorandum and any amendment or supplement hereto) be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Group. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Group or its affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Group routinely hedge their credit exposure to the Group consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions consisting of either the purchase of credit default swaps or the creation of short positions in the Group's securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Certain of the Initial Purchasers or their respective affiliates are also acting as dealer managers in connection with the Issuer's cash tender offer for any and all of its US$1,000,000,000 3.500% notes due 11 February 2023. See also "*Overview—Recent Developments*".

The Issuer and the Guarantors expect that delivery of the Notes will be made to investors on or about 27 July 2022 (such settlement being referred to as T+5). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the securities prior to two business days before the delivery of the securities will be required, by virtue of the fact that the securities initially will settle in T+5, to specify any alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the securities who wish to make such trades should consult their own advisers.

If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any Initial Purchasers or any affiliate of an Initial Purchaser is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by that Initial Purchaser or affiliate on behalf of the Issuer in such jurisdiction.

Standard Chartered Bank is not a US-registered broker-dealer and will not effect any offers or sales of the Notes in the United States other than through one or more US-registered broker-dealers, as permitted by the regulations of the Financial Industry Regulatory Authority, Inc.

United States

The Notes and the Guarantees have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable securities laws of any state of the United States or other jurisdiction. Accordingly, the Notes and the Guarantees are being offered and sold only (i) within the United States, to QIBs in reliance on Rule 144A, and (ii) outside the United States, to persons other than US persons in reliance on Regulation S.

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until and including the 40th day after the later of the commencement of the Offering and the Closing Date for the sale of any Notes pursuant to the Purchase Agreement (the **distribution compliance period**), within the United States or to, or for the account or benefit of, US persons except in accordance with Rule 144A or Rule 903 of Regulation S. Each Initial Purchaser has also agreed that it, each of its affiliates and each person acting on its or their behalf has complied and will comply with the offering restriction requirements of Regulation S; and that at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A, if permitted) it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

Terms used in the preceding two paragraphs have the meanings ascribed to them by Rule 144A and Regulation S, as applicable.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Purchase Agreement also provides that the Initial Purchasers or their affiliates may arrange for the placing of a portion of the Notes to persons reasonably believed to be QIBs pursuant to Rule 144A.

European Economic Area

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes or Guarantees to any retail investor in the EEA. For the purposes of this provision, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that:

- it has communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA), received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors;
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes or Guarantees to any retail investor in the UK. For the purposes of this provision, a "retail investor" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Hong Kong

The Notes are not being offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances that do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or that do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document

relating to the Notes has been or will be issued or has been or will be in the possession of the Initial Purchasers for the purposes of issue, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made under that Ordinance.

Japan

The Notes have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended) (the **Financial Instruments and Exchange Law**). Accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell the Notes in Japan or to, or for the benefit of, a resident of Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, a "resident of Japan" means any person resident in Japan.

Singapore

This Offering Memorandum has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, and if the Issuer has not notified the Initial Purchasers on the classification of the Notes under and pursuant to Section 309(B)(1) of the Securities and Futures Act, this Offering Memorandum or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes and the Guarantees may not be circulated or distributed, nor may the Notes and the Guarantees be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Chapter 289 of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person, which is:

- a corporation (which is not an accredited investor (as defined in the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the Securities and Futures Act; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the Securities and Futures Act is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the Securities and Futures Act or any provision in the Securities and Futures Act is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore Securities and Futures Act Product Classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the Securities and Futures Act), that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice Securities and Futures Act 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (or any supplement hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of NI 33-105, the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

South Korea

The Notes have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (the **FSCMA**). Accordingly, each Initial Purchaser, severally but not jointly, has represented and agreed, and each further Initial Purchaser appointed under the Purchase Agreement will be required to represent and agree, that the Notes have not been, and will not be, offered, sold or delivered, directly or indirectly, in Korea or to or for the account or benefit of any Korean resident (as such term is defined in the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), except as otherwise permitted under applicable Korean laws and regulations. Furthermore, a Holder of Notes will be prohibited from offering, delivering or selling any Notes, directly or indirectly, in Korea or to any Korean resident for a period of one year from the Issue Date, except (i) in the case where the Notes are issued as bonds other than equity-linked bonds, such as convertible bonds, bonds with warrants and exchangeable bonds, and where the other relevant requirements are further satisfied, the Notes may be offered, sold or delivered to, or for the account or benefit of, a Korean resident which falls within certain categories of qualified institutional investors as specified in the FSCMA, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure, or (ii) as otherwise permitted under applicable Korean laws and regulations. Each Initial Purchaser, severally but not jointly, undertakes, and each further Initial Purchaser appointed under the Purchase Agreement will be required to undertake, to use commercially reasonable best measures as an Initial Purchaser in the ordinary course of its business so that any securities dealer to which it sells the Notes confirms that it is purchasing such Notes as principal and agrees with such Initial Purchaser that it will comply with the restrictions described above.

Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the **FinSA**) and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Taiwan

The Notes have not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or any other regulatory authority of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or any other regulatory authority of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Notes in Taiwan.

Notice to Prospective Investors in Other Jurisdictions

Each Initial Purchaser has represented and agreed with the Issuer that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum or any amendment or supplement hereto, insofar as such laws, regulations and directives relate to the purchase, offer, sale or delivery of the Notes or the possession or distribution of this Offering Memorandum or any amendment or supplement hereto.

TRANSFER RESTRICTIONS

The Notes and the Guarantees have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable securities laws of any state of the United States or other jurisdiction. Accordingly, the Notes and the Guarantees are being offered and sold only (i) within the United States, to QIBs in reliance on Rule 144A, and (ii) outside the United States, to persons other than US persons in reliance on Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

1. It understands and acknowledges that the Notes and the Guarantees have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdiction, are being offered for resale in transactions not requiring registration under the Securities Act, or the securities laws of any state of the United States or other jurisdiction, including sales pursuant to Rule 144A, and may not be offered or sold or otherwise transferred within the United States except in compliance with the registration requirements of the Securities Act, or applicable securities laws of any state of the United States or other jurisdiction, pursuant to an exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs 4 and 5 below.

2. It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or the Guarantors, nor acting on behalf of the Issuer or the Guarantors and it is either:

   - a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A, of which the purchase will be for its own account or for the account of another QIB; or

   - purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S and not a US person.

3. It acknowledges that none of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors, their respective subsidiaries or the Initial Purchasers has made any representation to it with respect to the offer or sale of any Notes, other than the information contained in this Offering Memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning the Issuer, the Guarantors and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes.

4. It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

5. If such a purchaser is a purchaser of Notes issued in reliance on Rule 144A, it agrees, on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent Holder of the Notes by its acceptance thereof will be deemed to agree, not to offer, sell or otherwise transfer such Notes except (i) to the Issuer or the Guarantors, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the US in compliance with Regulation S, or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any

applicable local laws and regulations, and further subject to the Issuer's, the Trustee's and the Agent's rights prior to any such offer, sale or transfer (A) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (B) in each of the foregoing cases, to require that a transfer notice in the form attached as a schedule to the Indenture is completed and delivered by the transferor to the Agent.

6. It understands that the Notes being sold pursuant to Rule 144A will bear a legend to the following effect:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OR A DEPOSITARY OR A SUCCESSOR DEPOSITARY. NEITHER THIS NOTE, THE GUARANTEES, NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN, OR WILL BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE UNITED STATES IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE ONLY (A) TO THE ISSUER, THE GUARANTORS AND ANY SUBSIDIARY OR ANY AFFILIATE THEREOF (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S, THE TRUSTEE'S AND/OR THE AGENT'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM OF SCHEDULE 6 TO THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE AGENT. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE SPECIFIED DATE. THE INDENTURE CONTAINS A PROVISION REQUIRING THE AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS.

7. It understands that the Notes being sold in reliance on Regulation S will bear a legend to the following effect:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OR A DEPOSITARY OR A SUCCESSOR DEPOSITARY. NEITHER THIS NOTE, THE GUARANTEES, NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN, OR WILL BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR

TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY US PERSON, UNLESS SUCH NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (i) THE DATE ON WHICH THESE NOTES ARE FIRST OFFERED AND (ii) THE DATE OF ISSUE OF THESE NOTES.

8. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

9. It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

10. (i) It is not and is not acting on behalf of, and will not be and will not be acting on behalf of, directly or indirectly, an employee benefit plan (as defined in Section 3(3) of the US Employees Retirement Income Security Act of 1974, as amended (**ERISA**)) subject to Title I of ERISA, a plan or other arrangement subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the **IRC**), an entity whose underlying assets include "plan assets" by reason of any such employee benefit plans or plan's or arrangement's investment in the entity, or a governmental, church or non-US plan subject to any federal, state, local or non-US laws or regulations that are substantially similar to the provisions of Section 406 of ERISA and/or Section 4975 of the IRC (**similar law**); or (ii) its purchase, holding and subsequent disposition of Notes (or any interests therein) shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the IRC or, in the case of any governmental, church or non-US plan, any similar law.

11. It acknowledges that the Trustee and/or Agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to the Issuer and the Guarantors, the Trustee and/or the Agent that the restrictions set forth therein have been complied with.

12. It acknowledges that the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account.

LEGAL MATTERS

The validity of the Notes and certain other matters with respect to the Notes offered hereby will be passed on for the Issuer and the Guarantors by Allen & Overy LLP as to matters of English law, US federal law and New York state law. The validity of the Notes and certain other matters with respect to the Notes offered hereby will be passed on for the Initial Purchasers by Davis Polk & Wardwell London LLP as to matters of US federal law and New York state law.

INDEPENDENT AUDITORS

The 2021 Financial Statements, the 2020 Financial Statements, the 2021 IBF Financial Statements, the 2020 IBF Financial Statements, the 2021 ITL Financial Statements and the 2020 ITL Financial Statements incorporated by reference herein have been audited by Ernst & Young LLP, independent auditors, as stated in their independent auditors' reports incorporated by reference herein. Ernst & Young LLP is a member of the Institute of Chartered Accountants of England and Wales. The current address of Ernst & Young LLP is 1 More London Place, London SE1 2AF, United Kingdom.

The 2019 Financial Statements, the 2019 IBF Financial Statements and the 2019 ITL Financial Statements incorporated by reference herein have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their independent auditors' reports incorporated by reference herein. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants of England and Wales. The current address of PricewaterhouseCoopers LLP is 2 Glass Wharf, Bristol BS2 0FR, United Kingdom.

GENERAL INFORMATION

Listing

Application has been made to the FCA for the Notes to be listed on the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market. The listing of the Notes on the Official List will be expressed as a percentage of their aggregate principal amount (excluding accrued interest). It is expected that listing on the Official List and admission to trading on the London Stock Exchange's Professional Securities Market will be granted on or about 28 July 2022, subject only to the issuance of the Notes. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

The Issuer expects that total expenses related to the listing and admission of the Notes to trading will be approximately £6,000.

Authorisation and Consents

The Issuer, Imperial Brands and ITL have obtained all necessary consents, waivers, approvals and authorisations in connection with the issuance of the Notes and the Guarantees. The Notes will be issued pursuant to a resolution adopted by the board of directors of the Issuer on 27 June 2022. The Parent Guarantee will be provided pursuant to a resolution adopted by the board of directors of Imperial Brands on 23 June 2022, and the Subsidiary Guarantee will be provided by a resolution adopted by the board of directors of ITL on 27 June 2022.

Significant or Material Adverse Change

There has been no significant change in the financial performance or financial position of the Issuer, Imperial Brands or the Group since 31 March 2022, there has been no significant change in the financial performance or financial position of ITL since 30 September 2021, and there has been no material adverse change in the prospects of the Issuer, Imperial Brands or ITL since 30 September 2021.

Litigation

Except as disclosed in this Offering Memorandum under "*Description of the Group and its Business—Regulatory Landscape*" and "*Description of the Group and its Business—Litigation*", there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Issuer, Imperial Brands or ITL are aware during the 12 months preceding the date of this Offering Memorandum which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, Imperial Brands, ITL or the Group.

Material Contracts

Except as disclosed in this Offering Memorandum under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of the Group and its Business*", the Group has not entered into any material contract outside the ordinary course of its business, which could result in the Group being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Clearing Systems

The global notes representing the Rule 144A Notes and the Regulation S Notes are expected to be accepted for clearance through the facilities of DTC and through the facilities of Euroclear and Clearstream, Luxembourg (as indirect participants in DTC).

The CUSIP of the Notes to be sold pursuant to Regulation S is G471ABWD8 and the ISIN number is USG471ABWD89. The CUSIP of the Notes to be sold pursuant to Rule 144A is 45262BAF0 and the ISIN number is US45262BAF04.

The address of DTC is 55 Water Street, New York, New York 10041, United States, the address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

Indication of Yield

The initial yield on the Notes will be 6.125 per cent per annum, calculated on an annual basis. The yield is calculated on the Issue Date on the basis of the price of the Notes. It is not an indication of future yield.

Interests of Natural and Legal Persons Involved in the Issuance

Save for any fees payable to the Initial Purchasers, so far as the Issuer is aware, no person involved in the issuance of the Notes has an interest material to the Offering.

Credit Rating

As of the date of this Offering Memorandum, Imperial Brands has a long-term solicited credit rating of Baa3 (stable outlook) by Moody's, BBB (stable outlook) by S&P and BBB (stable outlook) by Fitch. It is expected that the Notes will be rated Baa3 by Moody's and BBB by S&P.

Ratings are not a recommendation to purchase, hold or sell notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based upon current information furnished to the rating agencies by the Issuer and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date thereof and may be revised, suspended or withdrawn as a result of changes in, or unavailability of, such information. Each rating should be evaluated independently of any other rating.

General

For the avoidance of doubt, any website referred to in this Offering Memorandum does not form part of the Offering Memorandum prepared in accordance with the proposed Offering.

Documents Available

For the period of 12 months following the date of this Offering Memorandum, copies of the following documents will be available for inspection from *https://www.imperialbrandsplc.com/creating-shareholder-value/debt-information*:

(i) the articles of association of the Issuer and the Guarantors;

(ii) the Annual Financial Statements, the 2021 IBF Financial Statements, the 2020 IBF Financial Statements, the 2019 IBF Financial Statements, the 2021 ITL Financial Statements, the 2020 ITL Financial Statements and the 2019 ITL Financial Statements, in each case together with the independent auditors' reports thereon;

(iii) the 2022 Interim Financial Statements;

(iv) the 2022 IBF Interim Financial Statements;

(v) this Offering Memorandum; and

(vi) the Indenture.

REGISTERED OFFICE OF THE ISSUER AND THE GUARANTORS

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OFFERING MEMORANDUM

Imperial Brands Finance PLC

US$1,000,000,000 6.125 per cent Senior Notes due 2027

Guaranteed by Imperial Brands PLC and Imperial Tobacco Limited

Joint Book-Running Managers
BofA Securities
HSBC
Mizuho Securities
MUFG
Standard Chartered Bank
Wells Fargo Securities

Co-managers
COMMERZBANK
Emirates NBD Capital