Prospectus

Imperial Tobacco Finance PLC

(Incorporated with limited liability in England and Wales with registered number 03214426)

Imperial Tobacco Finance France SAS

(A société par actions simplifiée *incorporated in France)*

€15,000,000,000
Debt Issuance Programme
Irrevocably and unconditionally guaranteed by

Imperial Tobacco Group PLC

(Incorporated with limited liability in England and Wales with registered number 03236483)

This Prospectus amends, restates and supersedes the offering circular dated 21st February 2014. Any Notes issued after the date hereof under the Debt Issuance Programme described in this Prospectus (the "Programme") are issued subject to the provisions set out herein. This Prospectus will not be effective in respect of any Notes issued under the Programme prior to the date hereof.

Under the Programme, Imperial Tobacco Finance PLC ("Imperial Finance" or an "Issuer") and Imperial Tobacco Finance France SAS ("Imperial Finance France" or an "Issuer" and together with Imperial Finance "the Issuers"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt securities (the "Notes") guaranteed by Imperial Tobacco Group PLC ("Imperial Tobacco" or the "Guarantor") and Imperial Tobacco Limited ("ITL"). Please see the Trust Deed dated 6th February 2015 (the "Trust Deed") which is available for viewing by Noteholders as described on page 124 for further details about the Imperial Tobacco guarantee and page 98 for further details regarding the ITL guarantee. The aggregate nominal amount of Notes outstanding will not at any time exceed €15,000,000,000 (or the equivalent in other currencies).

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "U.K. Listing Authority") for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the U.K. Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Each Series (as defined below) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "temporary Global Note") or a permanent global note in bearer form (each a "permanent Global Note"). Notes in registered form ("Registered Notes") will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may (i) if the Global Notes are intended to be issued in new global note ("NGN") form or if the Global Certificates are intended to be held under the New Safekeeping Structure (the "NSS"), as specified in the relevant Final Terms, be deposited on the issue date with a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"); and (ii) if the Global Notes are intended to be issued in classic global note ("CGN") form, or if the Global Certificates are not intended to be held under the NSS as specified in the relevant Final Terms, be deposited on the issue date with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

Imperial Tobacco has a solicited long term debt rating of Baa3 by Moody's Investors Service Ltd ("Moody's"), BBB by Standard & Poor's Credit Market Services Europe Limited ("S&P") and BBB by Fitch Ratings Limited ("Fitch"). The Programme has been rated Baa3 by Moody's and BBB by S&P. Moody's, S&P and Fitch are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation").

Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche (as defined below) of Notes is rated, such solicited rating will be disclosed in the Final Terms and will not necessarily be the same as the solicited rating assigned to the Programme by Moody's and S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Arranger
The Royal Bank of Scotland

Dealers

Banca IMI
Bank of China
BNP PARIBAS
Crédit Agricole CIB
Mizuho Securities
Santander Global Banking & Markets
Société Générale Corporate & Investment Banking
UniCredit Bank
Banco Bilbao Vizcaya Argentaria, S.A.
BofA Merrill Lynch
Commerzbank
HSBC
MUFG
SMBC Nikko
The Royal Bank of Scotland

6th February 2015

IMPORTANT INFORMATION

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to Imperial Finance, Imperial Finance France, the Guarantor and the Notes which, according to the particular nature of Imperial Finance, Imperial Finance France, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Imperial Finance, Imperial Finance France and the Guarantor, and of the rights attaching to the Notes.

Imperial Finance, Imperial Finance France, the Guarantor and ITL accept responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of Imperial Finance, Imperial Finance France, the Guarantor and ITL (which have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents incorporated herein by reference (see "Documents Incorporated by Reference").

Each of Imperial Finance, Imperial Finance France, the Guarantor and ITL, having made all reasonable enquiries, confirms that this Prospectus contains all information with respect to Imperial Finance, Imperial Finance France, the Guarantor and the Guarantor's subsidiaries and affiliates taken as a whole (the "Group" or the "Imperial Group") and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to Imperial Finance, Imperial Finance France, the Guarantor and the Group are in every material aspect true and accurate and not misleading, the opinions and intentions expressed in this Prospectus with regard to Imperial Finance, Imperial Finance France, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to Imperial Finance, Imperial Finance France, the Guarantor, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect and all reasonable enquiries have been made by Imperial Finance, Imperial Finance France, the Guarantor and ITL to ascertain such facts and to verify the accuracy of all such information and statements.

The Notes are irrevocably and unconditionally guaranteed by the Guarantor as described in the Trust Deed and by ITL by way of an amended and restated deed of guarantee dated 6th February 2015. The ITL guarantee will terminate in the circumstances set out in the deed of guarantee and is summarised in the section entitled "Imperial Tobacco Limited".

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such other information or representation must not be relied upon as having been authorised by Imperial Finance, Imperial Finance France, the Guarantor or any of the Dealers or the Arranger (as defined in "Overview of the Programme"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Imperial Finance, Imperial Finance France or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of Imperial Finance, Imperial Finance France or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of Imperial Finance, Imperial Finance France, the Guarantor or any of the Dealers or the Arranger to subscribe for, or purchase, any Notes. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Imperial Finance, Imperial Finance France, the Guarantor, the Dealers and the Arranger do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Imperial Finance, Imperial Finance France, the Guarantor or any of the Dealers or the Arranger which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes.

No representation, warranty or undertaking, express or implied, is made by the Arranger, any Dealer or the Trustee (as defined herein), and to the fullest extent permitted by law, the Arranger, the Dealers and the Trustee disclaim all responsibility or liability which they might otherwise have, as to the accuracy or completeness of the information contained in this Prospectus or any other financial statement or any further information supplied in connection with the Programme, Imperial Finance, Imperial Finance France, the Guarantor or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of Imperial Finance, Imperial Finance France and the Guarantor under the Programme. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of Imperial Finance, Imperial Finance France, the Guarantor, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of Imperial Finance, Imperial Finance France or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

The minimum denomination of the Notes shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its financial and legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the U.S. or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

PRESENTATION OF INFORMATION AND CERTAIN DEFINITIONS

In this Prospectus, all references to:

- *"euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;*
- *"U.S. dollars", "U.S. $" and "$" refer to U.S. dollars; and*
- *"Sterling" and "£" refer to pounds sterling.*

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STABILISATION

In connection with the issue of any Tranche of Notes (as defined in "Overview of the Programme – Method of Issue"), one or more relevant Dealers (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with the following:

(i) the audited non-consolidated annual financial statements of Imperial Finance for the financial year ended 30th September 2013 and the financial year ended 30th September 2014, respectively, together in each case with the audit report thereon;

(ii) the audited consolidated annual financial statements of the Guarantor for the financial year ended 30th September 2013 and the financial year ended 30th September 2014, respectively, together in each case with the audit report thereon;

(iii) the audited non-consolidated annual financial statements of Imperial Tobacco Limited for the financial year ended 30th September 2013 and the financial year ended 30th September 2014, respectively, together in each case with the audit report thereon;

(iv) the historical financial information relating to Acquired Assets (as defined below in the section "Overview of the Group and Acquisition") that are owned by, or relate to, the Reynolds Group (as defined below in the section "Overview of the Group and Acquisition") as at the date of this Prospectus (the "Reynolds Business") as at and for the years ended 31st December 2011, 2012 and 2013, included in Sections A and B of Part 5 of the Circular to shareholders and Notice of General Meeting of Imperial Tobacco dated 15th December 2014 (the "Circular");

(v) the unaudited condensed combined interim financial information relating to the Reynolds Business as at and for the nine months ended 30th September 2013 and 2014 included in Section C of Part 5 of the Circular (and together with the historical financial information listed in (iv) above, the "Reynolds Business Historical Financial Information");

(vi) the historical financial information relating to Acquired Assets that are owned by, or relate to the Lorillard Group (as defined below in the section "Overview of the Group and Acquisition") as at the date of this Prospectus (the "Lorillard Business") as at and for the years ended 31st December 2011, 2012 and 2013, included in Sections D and E of Part 5 of the Circular; and

(vii) the unaudited condensed combined interim financial information relating to the Lorillard Business as at and for the nine months ended 30th September 2013 and 2014 included in Section F of Part 5 of the Circular (and together with the historical financial information listed in (vi) above, the "Lorillard Business Historical Financial Information");

(viii) the terms and conditions contained in the prospectus dated 21st February 2014 on pages 25 to 53 inclusive;

(ix) the terms and conditions contained in the prospectus dated 15th December 2011 on pages 25 to 47 inclusive;

(x) the terms and conditions contained in the prospectus dated 16th December 2010 on pages 25 to 47 inclusive;

(xi) the terms and conditions contained in the prospectus dated 17th December 2009 on pages 26 to 48 inclusive;

(xii) the terms and conditions contained in the prospectus dated 28th July 2008 on pages 17 to 22 inclusive;

(xii) the terms and conditions contained in the prospectus dated 13th January 2006 on pages 15 to 29 inclusive; and

(xiv) the terms and conditions contained in the prospectus dated 1st July 2003 on pages 8 to 22 inclusive,

which have in each case been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority or filed with it. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is

incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein 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 Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the registered office of Imperial Finance and are available on the website of the National Storage Mechanism at *www.morningstar.co.uk/uk/NSM*.

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 Prospectus.

Overview of the Programme

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

Words and expressions defined in "Terms and Conditions of the Notes" and "Summary of Provisions Relating to the Notes While in Global Form" shall have the same meanings in this Overview.

Issuers:	Imperial Tobacco Finance PLC Imperial Tobacco Finance France SAS
Guarantor:	Imperial Tobacco Group PLC In addition to the guarantee provided by Imperial Tobacco Group PLC, the Notes are irrevocably and unconditionally guaranteed by way of an amended and restated deed of guarantee dated 6 February 2015 by Imperial Tobacco Limited. Such guarantee will terminate in the circumstances set out in the deed of guarantee and is summarised in the section titled "Imperial Tobacco Limited".
Description:	Debt Issuance Programme.
Size:	Up to €15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Risk Factors:	There are certain factors that may affect Imperial Finance's and Imperial Finance France's ability to fulfil its obligations under Notes issued under the Programme and/or the Guarantor's ability to fulfil its obligations under the guarantee in respect of such Notes. These are set out under "Risk Factors" below and include (without limitation) declining consumption of legitimate tobacco products, increased regulation of the tobacco industry, increases in illicit trade, increases in excise duty, changes in excise duty treatment, exposure to economic conditions in a number of Euro-zone countries, dependence on key customer relationships, significant market positions in certain territories, investigation for alleged abuse of market position, potential damages and costs in connection with litigation, industry competition, management of growth and recognition of growth opportunities, conducting business in developing markets and countries which are subject to international sanctions, changes in corporation taxation legislation, foreign exchange rate risk, changes in interest rates, fluctuations in tobacco leaf prices and inflation, leverage and financing of the business, both prior to and following the Acquisition, exposure to external counterparties, labour relations and retaining key management and employees, contamination of the Group's products, protection of intellectual property rights, regulation of menthol products and e-cigarettes, further regulation by the FDA and other U.S. regulations and reports and uncertain demand in the e-cigarette market. There are also risks related to the Acquisition itself, such as the conditional nature of the Acquisition, the delay between signing and completion, the assumption of new obligations and compliance from the Enlarged Group (as defined below in the section entitled "Overview of the Acquisition"), regulatory and judicial approval, tax related risks and the possibility of a failure to realise expected tax benefit, the unknown expectations of the Enlarged Group,

reliance on key individuals involved in the Acquisition, the continued interdependence between the parties following the Acquisition and newly acquired environmental and health and safety liabilities. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are also set out under "Risk Factors", together with certain risks relating to the structure of a particular issue of Notes and risks relating to Notes generally.

Arranger: The Royal Bank of Scotland plc

Dealers:

Banca IMI S.p.A.
Banco Bilbao Vizcaya Argentaria, S.A.
Banco Santander, S.A.
Bank of China Limited, London Branch
BNP Paribas
Commerzbank Aktiengesellschaft
Crédit Agricole Corporate and Investment Bank
HSBC Bank plc
Merrill Lynch International
Mitsubishi UFJ Securities International plc
Mizuho International plc
SMBC Nikko Capital Markets Limited
Société Générale
The Royal Bank of Scotland plc
UniCredit Bank AG

The Issuers may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Trustee: BNY Mellon Corporate Trustee Services Limited

Issuing and Paying Agent: The Bank of New York Mellon

Method of Issue: The Notes will be issued on a syndicated or non-syndicated basis.

The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the relevant final terms document (the "Final Terms").

Issue Price: Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

Form of Notes:	The Notes may be issued in bearer form only ("Bearer Notes"), in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") or in registered form only ("Registered Notes"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than 1 year and are being issued in compliance with the D Rules (as defined in "Overview of the Programme – U.S. Selling Restrictions"), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates".
Clearing Systems:	Euroclear, Clearstream, Luxembourg and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN, or the relevant Global Certificate is held under the NSS, the Global Note or the Global Certificate, as applicable, will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer(s) and as set out in the relevant Final Terms.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued with any maturity as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer(s) and as set out in the relevant Final Terms.
Specified Denomination:	The minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes:

Floating Rate Notes will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or

(ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Zero Coupon Notes:

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption:

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by the then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than 1 year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended ("FSMA") must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

Optional Redemption:

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Holders (as defined below), and if so the terms applicable to such redemption. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".

Make-Whole Redemption by the Issuer:

If specified in the applicable Final Terms, the relevant Issuer will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their Maturity Date (or during such other period as specified in the applicable Final Terms), at the Sterling Make-Whole Redemption Amount or Non-Sterling Make-Whole Redemption Amount (as the case may be). See "Terms and Conditions of the Notes-Redemption, Purchase and Option – Make-Whole Redemption by the Issuer (Issuer Make-Whole Call)" for further information.

Status of Notes:	The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the relevant Issuer and the Guarantor, respectively, all as described in "Terms and Conditions of the Notes – Status".
Negative Pledge:	See "Terms and Conditions of the Notes – Negative Pledge".
Cross Default:	See "Terms and Conditions of the Notes – Events of Default".
Step Up Ratings Change and Step Down Ratings Change:	If Step Up Ratings Change and Step Down Ratings Change (both as defined below) is specified in the applicable Final Terms, the Rate of Interest 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. See "Terms and Conditions of the Notes – Interest and other Calculations".
Change of Control Investor Put:	See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Early Redemption:	Except as provided in "Optional Redemption" and "Make-Whole Redemption by the Issuer" above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Withholding Tax:	All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons will be made free and clear of withholding taxes of any Tax Jurisdiction unless the withholding is required by law. In such event, the relevant Issuer or the Guarantor shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the holder of the Notes or Coupons of such amounts as would have been received by it had no such withholding been required, all as described in "Terms and Conditions of the Notes – Taxation".
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Listing:	Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.
Ratings:	The Programme has been rated Baa3 by Moody's Investors Service Ltd and BBB by Standard & Poor's Credit Market Services Europe Limited. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such solicited rating will be disclosed in the Final Terms and will not necessarily be the same as the solicited ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the U.S., the European Economic Area, the United Kingdom, Italy, France and Japan. See "Subscription and Sale".
U.S. Selling Restrictions:	The Issuers and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treas. Reg. §1. 163-5(c)(2)(i)(D) (or any successor U.S. Treasury regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "D Rules") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1. 163-5(c)(2)(i)(C) (or any successor U.S. Treasury regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules, but in circumstances in which the Notes will not constitute "registration required obligations" under the U.S. Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Overview of the Group and the Acquisition

The following information should be read in conjunction with the full text of this Prospectus and the information incorporated by reference herein. Investors should read the whole document and the information incorporated by reference herein and not just rely on the overview information, which should be read as an introduction to this Prospectus. Any decision to invest in the Notes should be based on consideration of this Prospectus and the information incorporated by reference herein as a whole.

Overview

Imperial Tobacco is an international fast moving consumer goods company and is the world's fourth largest international tobacco company with a portfolio that spans the entire tobacco spectrum.

Imperial Tobacco Company (of Great Britain and Ireland) Limited was formed in 1901 by the merger of 13 independent British tobacco companies. As a result, the primary focus of the Group's business historically was the U.K. and Irish markets. Imperial Tobacco was incorporated on 6th August 1996 as a public limited company under the laws of England and Wales, and became listed on the London Stock Exchange on 1st October 1996, when Hanson plc spun off its tobacco business to Imperial Tobacco. Since 1996, Imperial Tobacco has pursued a strategy of international growth through targeted organic expansion and acquisitions. This international growth strategy has transformed Imperial Tobacco from a predominantly U.K. business into a leading international tobacco company with sales in over 160 countries worldwide, with particular strengths in the U.K., Germany, Spain, France, Morocco, the U.S., the Netherlands, Australia, Russia and Ukraine.

The core business of Imperial Tobacco is built around a tobacco portfolio that offers consumers comprehensive brand choice with a range of cigarette, fine cut tobacco, paper, cigar and smokeless tobacco brands. In addition to the tobacco business, Imperial Tobacco is creating new consumer experiences through its non-tobacco subsidiary Fontem Ventures. The Group also owns a majority shareholding in a leading logistics business in southern Europe, Logista, which is made up of two divisions: tobacco logistics, which is involved in the transportation of tobacco products primarily in Italy, Spain, Portugal, France and Poland, and other logistics, which provides transport services for various industries including publishing, pharmacy and cosmetics.

The Group's business is cash generative and for financial year ending 30th September 2014, Imperial Tobacco's tobacco net revenue, distribution fees, Group reported operating profit and Group adjusted operating profit for the year were £6,576 million, £848 million, £2,064 million and £3,026 million, respectively.

The Acquisition

Following the announcement of the proposed merger of Lantern Acquisition Co (a subsidiary of Reynolds American Inc. ("Reynolds")) and Lorillard, Inc ("Lorillard") (the "Merger"), on 15th July 2014 Imperial Tobacco announced that it and its wholly owned subsidiary, Lignum-2, L.L.C. (subsequently renamed ITG Brands, LLC), ("ITG Brands") had entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Reynolds for the acquisition of certain brands and assets currently owned by Reynolds and its subsidiaries from time to time (the "Reynolds Group") and Lorillard and its subsidiaries from time to time (the "Lorillard Group"), including the U.S. cigarette brands *Winston*, *Maverick*, *Kool* and *Salem*, and the U.S. and international e-cigarette brand *blu*, plus the national sales force, offices and production facilities currently owned by Lorillard (the "Acquired Assets") (the "Acquisition") (the *Winston*, *Maverick*, *Kool* and *Salem* brands and, if applicable under the Asset Purchase Agreement, the *Doral* brand being the "Acquired Tobacco Cigarette Brands" and, together with the *blu* brand, the "Acquired Brands"). The Acquired Tobacco Cigarette Brands are to be acquired without historic product liabilities following the proposed acquisition of Lorillard by Reynolds. Under the terms of the Asset Purchase Agreement, ITG Brands will pay total cash consideration of U.S.$7.056 billion (approximately £4.2 billion).[1]

[1] Conversion rate from U.S.$ to £ in this document are at an exchange rate of U.S.$1.70:£1 being the rate of exchange as at 15th July 2014.

The Acquisition was conditional on, among other things, the approval of Imperial Tobacco's Shareholders being given. Accordingly, a general meeting was held on 28th January 2015, where an ordinary resolution approving the Acquisition was duly passed on a poll, with 99.97 per cent. of votes in favour.

Acquisition rationale

With total acquisitions of over £17 billion since listing on the London Stock Exchange in 1996, Imperial Tobacco has a long track record of successful acquisitions which have expanded the geographic reach and product offerings of the Group.

This investment in the U.S., one of Imperial Tobacco's key Growth Markets, provides an opportunity to transform Imperial Tobacco's presence in the world's largest tobacco profit pool (excluding China). The Group believes that the Acquisition will enhance Imperial Tobacco's product portfolio through the addition of tobacco brands which, despite being relatively unsupported in recent years, continue to demonstrate strong inherent brand equity with consumers. In addition, the Group believes that the acquisition of an established and experienced sales force, national distribution capabilities and a respected management team, will transform the scale and presence of the U.S. business, enabling Imperial Tobacco to become a stronger and more effective competitor.

Financing of the Acquisition

On 15th July 2014 Imperial Tobacco entered into committed bank facilities of £7.8 billion (equivalent)[1] comprising term and revolving credit facilities pursuant to a facilities agreement dated 15th July 2014 (the "Facilities Agreement"). The aggregate principal amount of the term facilities is U.S.$7.1 billion, through which Imperial Tobacco proposes to finance the Acquisition. The term loan facilities under the Facilities Agreement are split into three tranches and have a final maturity date of one year (subject to an extension option to extend the final maturity date to two years at Imperial Tobacco's option), three years and five years respectively after the estimated date of completion of the Acquisition (or after the anniversary of the signing of the Facilities Agreement if sooner).

The revolving credit facilities under the Facilities Agreement may be applied towards refinancing certain of Imperial Tobacco's existing bank facilities and indebtedness under debt capital markets issuances, to provide working capital and to finance payment of fees and expenses related to the Acquisition. The revolving credit facilities under the Facilities Agreement are split into two tranches and have a respective final maturity date of three years (following the exercise of three six-month extension periods by Imperial Tobacco at its option) and five years (extendable beyond this period for a maximum of two years at the lenders' option) after the date of the Facilities Agreement. Primary syndication of the Facilities Agreement was completed on 29th August 2014 with the syndicate then comprising 17 lenders.

Imperial Tobacco's financing requirements over the period to 31st March 2016 have been fully underwritten as part of the overall financing made available under the Facilities Agreement.

In order to accelerate the pace of debt repayment, Imperial Tobacco has suspended its share buy-back programme (approximately 14.2 million shares were bought back by Imperial Tobacco in the year ended 30th September 2014 at a cost of approximately £341 million). In addition, the rating agencies (Standard & Poor's, Moody's and Fitch) were consulted on the financial parameters arising from the Acquisition prior to announcement of the Acquisition and they have all since publicly announced that they expect that Imperial Tobacco's investment grade credit ratings will be maintained following completion of the Acquisition.

References herein to the "Enlarged Group" are to the Group and the Acquired Assets following completion of the Acquisition.

[1] Converted at exchange rates of U.S.$1.70: £1 and A1.25: £1, being the exchange rates used in the announcement made on 15th July 2014.

Risk Factors

Imperial Finance, Imperial Finance France, the Guarantor and ITL believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme or the guarantee in respect thereof, as relevant.

There is a wide range of factors which individually or together could result in Imperial Finance, Imperial Finance France, the Guarantor and ITL becoming unable to make all payments due in respect of the Notes and the guarantee. It is not possible to identify all such factors or to determine which factors are most likely to occur, as Imperial Finance, Imperial Finance France, the Guarantor and ITL may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside Imperial Finance's, Imperial Finance France's, the Guarantor's and ITL's control. However, Imperial Finance, Imperial Finance France, the Guarantor and ITL have identified in this Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes and the guarantee, and they consider that the risks identified below include all the principal risks of an investment in the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Imperial Finance, Imperial Finance France, the Guarantor and ITL are subject to the same general risks as many other businesses, for example, changes in general economic conditions, including currency and interest rate fluctuations, changes in taxation legislation, cyber-security breaches, failure of IT infrastructure, the cost of raw materials, the impact of competition, customer credit risk, political instability in some of the countries in which the Group operates and sources its raw materials and the impact of natural disasters.

FACTORS THAT MAY AFFECT IMPERIAL FINANCE'S, IMPERIAL FINANCE FRANCE'S, THE GUARANTOR'S OR ITL'S ABILITY TO FULFIL THEIR RESPECTIVE OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTEE

Set out below is a non-exhaustive list of risk factors of which investors in the Notes should be aware. Not all of these factors are within the Group's control. There may be other risks and uncertainties which are unknown to the Issuers, the Guarantor or ITL or which may not be material now, but could be material in the future.

Risks relating to the Group and the Enlarged Group

The Group and the Enlarged Group may be adversely affected by declining consumption of legitimate tobacco products

Since the 1990s there has been a general decline in the consumption of legitimate tobacco products in developed countries in which the Group operates. This decline in developed countries such as the U.K., Germany and Spain, where the Group currently has significant operations, and the U.S., where the Enlarged Group will have significant operations following completion of the Acquisition, may be attributed to a variety of factors including increasing government regulation, 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 e-vapour market.

Any future substantial decline in the demand for legitimate tobacco products could have an adverse effect on the Group's revenue, profits and financial condition which, in turn, could have an impact on Imperial Tobacco's and ITL's revenue, profits and financial condition or that of the Group. The Enlarged Group may also have increased exposure to this risk in the U.S. following completion of the Acquisition as it will own

a greater share of tobacco brands in the U.S. market. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits and financial condition.

Increased regulation of the tobacco industry (including by the FDA) may have an adverse effect on the demand for tobacco products or may increase compliance costs

The advertising, sale and consumption of tobacco products have been subject to regulatory influence from governments, health officials and anti-smoking groups, principally due to their conclusion that cigarette smoking and tobacco products are harmful to health. This has resulted in substantial restrictions on the manufacture, development, testing, content, sale, distribution, packaging, labelling, display, marketing, advertising, product design and consumption of tobacco products, including limitations on where tobacco products can be used or smoked. These restrictions have been introduced by both regulation and voluntary agreements. 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, *inter alia*, individual governments and the World Health Organisation.

Regulatory initiatives affecting the tobacco industry that have been proposed, introduced or enacted include: 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 and restrictions on packaging design, including the use of colours and plain packaging; 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 types of retail outlet that are permitted to sell tobacco products; requirements regarding testing, verification and limits for tar, nicotine, carbon monoxide and other smoke constituent levels; requirements regarding reporting, evaluation and possible bans of certain tobacco product ingredients; requirements that products 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 descriptive terms which might be argued to create an impression that one brand of cigarettes is less harmful than another; and requirements for the tracking and tracing of tobacco products. The Group, along with all other tobacco manufacturers, is sometimes excluded from consultation with regulators on these regulatory proposals.

The U.S. is a very heavily regulated environment with regulation at both the federal 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 U.S. or elsewhere could therefore result in a substantial decline in the demand for tobacco products (including, in the case of restrictions or bans on packaging, in the ability of the consumers to differentiate brands) or in an increase in the costs of the Enlarged Group in complying with these regulatory requirements, or require manufacturers to review and adapt their product portfolio as a result of restrictions or bans, either by way of developing innovative products or offers in other categories. Each of these may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group and could contribute to an increase in the illicit trade in tobacco products. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Furthermore, increased regulation, including the need for pre-market approvals by the FDA, may limit Imperial Tobacco's ability to communicate with consumers, may restrict its ability to participate in the public discussion surrounding its products and may limit its ability to launch new or change existing products. There can be no certainty as to the timing or completion of such approvals, which may have an adverse effect on the future business opportunities, revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

In addition to the general regulatory factors set out above, the Enlarged Group may also be impacted by further specific regulatory actions in more specific industry sectors. See "*As several of the Acquired Tobacco Cigarette Brands are menthol brands or include menthol products, the Enlarged Group may be adversely affected by regulation of menthol in cigarettes*", "*The Enlarged Group may be adversely affected by*

regulation of e-cigarettes and e-vapour products", and "*The Enlarged Group may be adversely affected by further regulation by the FDA*".

The Group and the Enlarged Group may be adversely affected by increases in illicit trade

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, is a significant and, in some cases, growing threat to the legitimate tobacco industry. Illicit trade could have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group in addition to damaging the Group's and the Enlarged Group's brand equity and undermining supply chain distribution investments, with potential damage to the Group's and the Enlarged Group's reputation. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

A number of factors could result in a significant decline in the demand for legally purchased tobacco products, including 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, additional regulatory initiatives, such as plain packaging or standardised appearance, taste or ingredients, may contribute to an increase in illicit trade of tobacco products.

Illicit trade creates a market that is uncontrolled. As a result, children can more easily obtain tobacco products, governments are deprived of tax revenues and livelihoods of independent tobacco retailers are threatened. Within such an environment, there is also a risk that criminal and civil sanctions, negative publicity and allegations of complicity in illegal cross-border trading and money laundering activities may be made against tobacco companies or their directors, executive officers, employees, agents and distributors.

Although the Group has implemented procedures and established controls to detect and control illegal trading of its tobacco products, these procedures and controls can provide only reasonable and not absolute assurance of detecting non-compliance by managing, rather than eliminating, risk. There is a risk that these procedures and controls may not adequately protect the Group against increases in illicit trade and the above-mentioned risks, which could have a material adverse effect on the Group's reputation, business, results of operation and financial condition and which, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Increased excise duty on tobacco products may have an adverse effect on the demand for tobacco products

Tobacco products are subject to excise duty which, in many of the markets in which the Group operates and the Enlarged Group will operate, represents a substantial percentage of the retail price, and has been steadily increasing in recent years. Increasing levels of excise duty, particularly substantial one-off increases, have encouraged consumers in affected markets to switch from higher price cigarettes to lower price cigarettes and fine cut tobacco or to purchase cigarettes or fine cut tobacco from the illicit market and could have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group and the Enlarged Group may be adversely affected by changes to the excise duty status of tobacco products

The Group is one of the world's leading manufacturers of tobacco products by volume and, as such, any unfavourable excise duty treatment of tobacco products, including fine cut tobacco, if widely adopted, could impact the Group's and the Enlarged Group's sales volumes and, therefore, could have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group is exposed to economic conditions in a number of Euro-zone countries

The Group has significant exposure to economic conditions in a number of Euro-zone countries. Ongoing uncertainty regarding the future of the euro, or the exit of one or more countries may impact consumer spending patterns. This could have an adverse effect on the Group's revenue, profits and financial condition which, in turn, could have an impact on the Guarantor's and ITL's revenue, profits and financial condition.

Further, were a break-up of the Euro-zone to occur, the resulting situation may cause disruption to the Group's manufacturing, supply chain operations and cash-flow. This could have an adverse effect on the Group's business, results of operation and financial condition which, in turn, could have an impact on the Guarantor's and ITL's revenue, profits and financial condition.

The Group is, and the Enlarged Group will be, exposed to economic conditions of the countries in which it operates, with a particular concentration in Western Europe

The Group has significant exposure to economic conditions in the United Kingdom, Germany, Spain and France, which constituted 54.6 per cent. of the Group's external revenue for the year ended 30th September 2014. Upon completion of the Acquisition, the U.S. will also become a key country for the Enlarged Group. The continued organic growth of the Group's business is underpinned by its positions in these and other key countries. Any future declines in these markets, including due to adverse changes in economic conditions in these countries, could have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits and financial condition.

The Group is, and the Enlarged Group will be, dependent on its key customer relationships

The Group has, and the Enlarged Group following completion of the Acquisition will have, a number of key customers under contractual arrangements which have relatively short durations and termination periods. The loss of any of these key customers, or their inability to pay material amounts owed, could have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have an impact upon Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group and the Enlarged Group may be subject to investigation for alleged abuse of their market position in the U.S. and certain countries

The Group has significant market positions in certain countries in which it operates, including the U.K., Germany, France, Spain and Morocco and, following completion of the Acquisition, the Enlarged Group will have a significant position in the U.S.. The Group and the Enlarged Group is subject from time to time and may in the future be subject to investigation for alleged abuse of its market position or other alleged breaches of competition laws, which can result in adverse regulatory action by the relevant authorities, including inspections, whether unannounced or otherwise, monetary fines and negative publicity. While the Group complies with all applicable laws and co-operates with all ongoing investigations, whether concerning antitrust matters or otherwise, there can be no assurances that, in the future, any investigation to which the Enlarged Group is subject will not result in actions being brought against members of the Enlarged Group or that any such investigations or publicity will not have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group.

The Group and the Enlarged Group could incur substantial damages and costs in connection with litigation

Other than as noted below, before 2007, the Group had not sold cigarettes in the U.S., the jurisdiction with the greatest prevalence of smoking and health-related litigation. However, three subsidiaries, Reemtsma Cigarettenfabriken GmbH, SEITA and Altadis, sold relatively small quantities of cigarettes and/or fine cut tobacco in the U.S. domestic market up to 1999, up to 2005 and up to 2004, respectively. As of the date of this Prospectus, the Group has relatively limited sales in the U.S. duty free market. In 2007 and 2008,

respectively, the Group acquired Commonwealth Brands and ITG Brands, both of which were and are manufacturers and sellers of tobacco products in the U.S., with Commonwealth Brands selling products in the U.S. since the early 1990s.

The Acquired Assets include the Acquired Tobacco Cigarette Brands which are manufactured and primarily sold in the U.S. The Acquired Tobacco Cigarette Brands are intended to be acquired without historic product liabilities and an indemnity in respect of any liabilities relating to the period prior to completion of the Acquisition will also be provided by Reynolds under the terms of the Acquisition. See the section below, "*The Acquisition*".

The Enlarged Group will be responsible for the Acquired Tobacco Cigarette Brands and the *blu* brand following completion of the Acquisition, in addition to brands it currently owns in the U.S. and elsewhere. It can be expected that legal actions, proceedings and claims arising out of the sale, distribution, manufacture, development, advertising, marketing and claimed health effects of cigarettes, whether relating to cigarettes generally or menthol cigarettes, will be filed against the Group and the Enlarged Group in the future (for further discussion relative to menthol products, please see the section below, "*As several of the Acquired Tobacco Cigarette Brands are menthol brands or include menthol products, the Enlarged Group may be adversely affected by regulation of menthol in cigarettes*"). It is also possible that legal actions, proceedings and claims may be filed against the Enlarged Group in respect of the sale, distribution, manufacture, development, advertising, marketing and claimed health effects of the *blu* brand or other e-cigarette or e-vapour products.

Such claims could be brought in federal, state or local courts, or by way of enforcement actions, and by individuals, as a class or group action by a number of parties (whether in actions in which a class has been certified or in which plaintiffs are seeking class certification or in which individual cases have been grouped for a consolidated trial), by national 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) and the claims could relate, *inter alia*, to claims for personal injury, addiction or death, costs of providing healthcare (including cost recovery actions) and costs of court-supervised health monitoring programmes.

The damages sought in any such claims could be significant, and the Group or the Enlarged Group may not be successful in defending all of the claims that may arise. In addition, regardless of the outcome of any litigation, the Enlarged Group will incur costs defending claims which it will not be able to recover fully, irrespective of whether it is successful in defending such claims. Verdicts in favour of plaintiffs in individual actions regarding the health effects of smoking, or the settlement of such cases, whether by the Enlarged Group or by other tobacco companies could also encourage the commencement of new actions and could have adverse effects on the ability of the Enlarged Group to prevail in other smoking and health litigation.

An unfavourable outcome or settlement of any pending or future smoking and health-related or other litigation may have an adverse effect upon the Group's reputation, revenue, profits, business, financial condition or results and those of the Enlarged Group. There can also be no assurance that legal aid or other funding will continue to be denied to claimants in smoking 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 and the Enlarged Group, this may increase the number of claims and claimants' likelihood of prevailing on such claims which may have an adverse effect on the Group's reputation, revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

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

Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

To the extent that the Group or the Enlarged Group's determinations at any time as to the likely outcome of any claim do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be affected, with an adverse effect on the revenue, profits, business, financial condition or results of the Group or the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

In addition to smoking and health-related litigation and other judicial matters, the Group is and the Enlarged Group will be subject to regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business and operations. The results of these legal proceedings cannot be predicted with certainty, and there can be no assurance that these matters will not have an adverse effect on the Enlarged Group's results of operations in any future period, and a substantial judgment may have an adverse effect on the revenue, profits, business, financial condition or results. This, is in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue profits, financial condition or results.

The Group and the Enlarged Group operate in highly competitive markets

The Group's competitors include Philip Morris International Inc. ("Philip Morris"), British American Tobacco plc, Japan Tobacco Inc., Altria Group Inc., Reynolds and Lorillard, and Liggett Vector Brands LLC. Following completion of the Acquisition, the Enlarged Group's competitors will include the merged Reynolds and Lorillard group in the U.S. These companies may have greater financial resources than the Group and following completion of the Acquisition, the Enlarged Group. These companies also remain strong competitors in the markets in which the Group currently operates, and in which the Enlarged Group will operate after completion of the Acquisition. Significant increases in the competitive activity of these companies or other local manufacturers, in response to the Acquisition or otherwise, could lead to further competition and pricing pressure on the Group's and the Enlarged Group's brands and reduce the Group's and the Enlarged Group's profit margins and cash flows. The Group's and the Enlarged Group's ability to compete with these companies may be limited by the regulatory environment in which it operates, including advertising restrictions, and this may adversely impact the Group's and the Enlarged Group's efforts to strengthen its brand portfolio. Actions from the Group's and the Enlarged Group's competitors may also have an unfavourable impact on the Group's and the Enlarged Group's ability to meet its strategy of growing the Group and the Enlarged Group organically and through acquisitions. These may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group and the Enlarged Group may be unable to identify further acquisition opportunities

Historically, the Group has engaged in acquisitions that have been complementary to the organic growth of the Group. The continuation of this expansion strategy is dependent on, among other things, identifying suitable acquisition or investment opportunities and successfully completing those transactions. Where the Group has identified acquisition opportunities, it has historically faced competition for these acquisitions. In the future, this could raise the price of acquisitions and make them less attractive. In addition, if the Group and, after completion of the Acquisition, the Enlarged Group, is unable to secure the necessary financing, it may not be able to grow its business through acquisitions.

Even if management is able to identify potential acquisition targets, it may be difficult to complete such transactions, given anti-trust or similar laws. In the future, this could limit the Group's and the Enlarged Group's ability to grow by this route. This could adversely affect the Group's revenue, profits, financial condition or results and that of the Enlarged Group which, in turn, could have an impact on Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group and the Enlarged Group may fail to manage growth

The Group's strategy includes and the Enlarged Group's strategy will seek the expansion of its business internationally, both through organic growth and by tobacco and tobacco-related acquisitions. Among other things, acquisitions require the attention of management and the diversion of other resources away from organic growth. The Group or the Enlarged Group's ability to integrate and manage acquired businesses effectively, including the Acquired Assets, and to handle any future growth will depend upon a number of factors including the size of the acquired businesses, the nature and geographical locations of their operations, and the resulting complexity of integrating its operations into the Group, and failure to manage growth effectively may adversely affect the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, may have an impact on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Furthermore, there can be no assurance that Imperial Tobacco will be able to identify all actual or potential liabilities of a business, including of the Acquired Assets, prior to its acquisition. If the Group or the Enlarged Group acquires a business or assets which result in the Group or the Enlarged Group assuming unforeseen liabilities in respect of which it has not obtained contractual protections or for which protection is not available, this could adversely affect the Group or the Enlarged Group's revenue, profit and financial condition which, in turn, could adversely affect Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Additionally, in order to support its strategic objectives the Group may be required to undertake other material initiatives, such as change programmes. Failure to manage such change programmes effectively may adversely affect the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, may have an impact on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group and the Enlarged Group may be adversely affected by the increased risks and uncertainties of doing business in developing markets

The Group's and the Enlarged Group's business in developing markets may present more challenging operating environments where margins in general may be lower and in which commercial practices may be less developed and of a lower standard than those in more mature markets.

The results and prospects for the Group's and the Enlarged Group's operations in these countries will be 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 and the Enlarged Group will operate face the risk of civil unrest, regime changes, nationalisation, terrorism, conflict and threat of war, as well as fraud and corruption, both externally and internally. Economic, political, legal, regulatory or other developments or uncertainties in developing markets could disrupt the Group's or the Enlarged 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 or the Enlarged Group's business in certain markets which could adversely affect the Group's revenue, profits and financial condition and that of the Enlarged Group which, in turn, could impact Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

As a result of its activities in developing markets, the Group currently is and the Enlarged Group 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. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group conducts and the Enlarged Group will conduct business in countries subject to international sanctions

Some of the countries in which the Group does, and the Enlarged Group will do, business or with whom it has or will have commercial dealings, such as Syria and Cuba, have been identified by the U.S. State Department as state sponsors of terrorism, or are subject to international sanctions, such as Russia.

Historically, the Group's activities in these jurisdictions have been limited principally to selling tobacco products and to purchasing tobacco leaf and have not been material to the Group's revenue, profits or financial condition. However, the Group's business in Cuba, from which it had previously only sourced tobacco leaf prior to January 2008, grew as a result of the Group's acquisition of the Altadis Group which has ownership interests in the Cuban Joint Ventures (as defined in the section "Imperial Tobacco Group PLC – Joint Ventures") which manufacture, market, distribute and sell cigars manufactured in Cuba.

The Group seeks and the Enlarged Group will seek to comply fully with international sanctions to the extent they are applicable to the Group. However, in doing so, it may be restricted in supplying products sourced from certain countries to relevant jurisdictions, by the nationality of the personnel that it involves in these activities or in its sources of funding. In particular, the cigar operations of the Cuban Joint Ventures could be materially limited by the operation of the U.S. Cuban Assets Control Regulations and by the U.S. Cuban Liberty and Democratic Solidarity (Libertad) Act 1996 (commonly known as the Helms-Burton Act). New sanctions or changes in existing sanctions could further restrict or entirely prevent the Group and the Enlarged Group from doing business in, or from having commercial dealings with, certain jurisdictions, including Cuba, which may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have an impact on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Additionally, the Group's business in developing markets may present more challenging operating environments in which commercial practices may be less developed and of a lower standard than those in more mature markets. As such, although the Group seeks to comply fully with international sanctions to the extent they are applicable to the Group, and to the extent they will be applicable to the Enlarged Group following completion of the Acquisition, it may be harder to do so in such markets. Furthermore, the Group and the Enlarged Group may suffer from adverse public reaction or from reputational harm as a result of doing business in, or having commercial dealings through third parties with, countries that have been identified as state sponsors of terrorism by the U.S. State Department, including Syria and Cuba, or that are subject to international sanctions such as Russia, notwithstanding that the Group's and the Enlarged Group's activities comply with applicable international sanctions and regardless of the materiality of the Group's and the Enlarged Group's operations in such countries to its operations or financial condition. Any such reaction may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group and, given the enhanced profile in the U.S. the Enlarged Group will have following completion of the Acquisition, any adverse public reaction may have a greater impact on the Enlarged Group following completion of the Acquisition. The Group's and the Enlarged Group's activities in the countries subject to international sanctions could also restrict the sources of funding available to the Group and the Enlarged Group. International sanctions may also limit the Group's and the Enlarged Group's ability to use existing funds to finance its operations in certain countries, which may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group and in turn, this may have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group and the Enlarged Group may be adversely affected by changes in taxation legislation

Legislation relating to taxation, duties or levies may be subject to future changes that may have an adverse effect on the revenue, profits, business, financial condition or results of the Group and the Enlarged Group. Legislation relating to taxation may, in turn, have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

On 3rd December 2014, the U.K. Chancellor of the Exchequer announced that the U.K. government will launch a consultation on a potential levy on tobacco manufacturers and importers. A consultation document was published on 10th December 2014, setting out the government's objectives and identifying options. The consultation will run for a period of 10 weeks closing on 18th February 2015. The document states that any levy would be based on market share. The government intends to set a revenue target for the levy, and each tobacco manufacturer or importer would calculate its share of the levy by reference to its market share. The proposal is that market share will be determined by volume of tobacco cleared, and that the levy will be

calculated separately for cigarettes and for other tobacco products, such as hand rolling tobacco and pipe tobacco.

The Group is exposed to foreign exchange rate risk and the Enlarged Group will have greater exposure to foreign exchange rate risk

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

In the year ended 30th September 2014, 82 per cent. of the Group's revenue was generated in markets outside the U.K. (which remains unchanged from the year ended 30th September 2013). This revenue percentage is expected to increase following completion of the Acquisition. Certain sales in these markets are invoiced in currencies other than the functional currency of the selling company.

In relation to the Acquisition, Imperial Tobacco reports its financial results in pounds sterling while the Acquired Assets trade in U.S. dollars. The Enlarged Group will therefore be exposed to greater movements in foreign exchange rates, in particular in respect of U.S. dollars, due to the increase in size, following completion of the Acquisition, of the Enlarged Group's foreign subsidiaries, their commercial trading transactions denominated in foreign currencies and foreign currency cash deposits, borrowings and derivatives. This means that if the Acquisition completes and the U.S. dollar appreciates against the pound sterling, such appreciation will increase the sterling equivalent value of the total investment and the cash flow generated by the Acquired Assets as reported in Imperial Tobacco's accounts. Conversely, if the Acquisition proceeds and the U.S. dollar depreciates against the pound sterling, such depreciation will decrease the sterling equivalent value of the total investment and the cash flow generated by the Acquired Assets as reported in Imperial Tobacco's accounts.

As a result of the Acquisition, the Enlarged Group will be subject to an increased translation of the results of overseas subsidiaries into pounds sterling, as well as to the impact of increased trading transactions in foreign currencies, compared to what the Group is currently exposed to. Significant fluctuations in foreign exchange rates may therefore have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group which is greater than that which the Group may currently be exposed to as at the date of this document.

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

The Group or the Enlarged Group has or will have investments in foreign entities which operate in countries whose currency is different from the pound sterling (mainly in the European Union, as well as in Morocco, Russia, Cuba, Australia and the U.S.). Consequently, the Group is and the Enlarged Group will be exposed to the translation of the results of overseas subsidiaries into pounds sterling, as well as to the impact of trading transactions in foreign currencies. Significant fluctuations in foreign exchange rates could have an adverse effect on the Group's and the Enlarged Group's revenue, profits and financial condition which, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's financial condition and Imperial Tobacco's and ITL's profits, revenue and financial condition.

The Group is exposed to interest rate fluctuations and the Enlarged Group will have greater exposure to interest rate fluctuations

The Group is, and the Enlarged Group will be, exposed to fluctuations in interest rates on its borrowings and surplus cash balances. The most material risk is in respect of borrowings which have increased as a result of the Acquisition. As approximately half of the Group's borrowings (after adjusting for the effect of interest rate derivatives) outstanding as at 30th September 2014 were 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 30th September 2014, the Group had reported net debt of £8,549 million. Of this, approximately 73 per cent. was denominated in euro, 17 per cent. in pounds sterling and 10 per cent. in U.S. dollars. Accordingly, the Group's financial results as at 30th September 2014 were exposed to gains or losses arising from fluctuations in interest rates relating to pounds sterling, euro and U.S. dollars. Significant fluctuations in interest rates may have an adverse effect on the Group's revenue, profits, financial condition or results and those of the Enlarged Group which, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

In order to finance the Acquisition further bank facilities have been entered into which provide facilities principally denominated in U.S. dollars. The Enlarged Group will therefore have greater exposure to significant fluctuations in interest rates which may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group is, and the Enlarged Group will be, exposed to tobacco leaf price fluctuations and inflation

The Group has, and the Enlarged Group will have, limited involvement in the cultivation of tobacco leaf and their results will, therefore, be exposed to commodity price risk in that there may be fluctuations in the price of tobacco leaf and other commodities required in the manufacture of cigarettes. 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. In addition, political situations may result in a significantly reduced tobacco crop in any affected country. This may also lead to increases in price that the Group and the Enlarged Group may be unable to pass on to customers. Fluctuations and/or inflation in the price of tobacco leaf may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Further, the Group and the Enlarged Group are dependent on managing macro financial risks, including inflation and commodity prices. Failure to manage financial risks may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group has, and the Enlarged Group will have, significant borrowings, which will be materially increased as a result of completion of the Acquisition and which may impair operational and financial flexibility

The Group has, and the Enlarged Group will have, a significant amount of indebtedness and debt service obligations, which may impair both the Group's operating and financial flexibility and that of the Enlarged Group and could adversely affect the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. Limited ability to borrow additional funds may reduce both the Group's and the Enlarged Group's flexibility in reacting to competitive or industry pressures or opportunities. As at 30th September 2014, the Group had reported net debt of £8,549 million (as at 30th September 2013: £9,518 million).

In connection with the Acquisition, committed bank facilities of U.S.$7.1 billion are available to the Group under the Facilities Agreement. These facilities are available to be used to finance the Acquisition. Additionally, under the Facilities Agreement, committed bank facilities of €3,835 million and £500 million were made available to the Group to refinance certain of the Group's existing bank facilities and indebtedness under debt capital markets indebtedness, to provide working capital, to finance the payment of fees and expenses related to the Acquisition and for general corporate purposes. The Group's and the Enlarged Group's substantial indebtedness could potentially cause the Group and the Enlarged Group to

dedicate a significant portion of cash flow from operations to payments to service debt, depending on the level of borrowings, prevailing interest rates and exchange rate fluctuations, which would reduce the funds available to the Group and the Enlarged Group for discretionary capital expenditure, acquisitions and other discretionary expenditure. The Group's and the Enlarged Group's indebtedness could also limit its ability to borrow additional funds for discretionary capital expenditure, acquisitions and other discretionary expenditure; limit flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industry in which the Group and the Enlarged Group operate; place the Group and the Enlarged Group at a competitive disadvantage compared to its competitors that are currently less leveraged than the Group and the Enlarged Group will be; and increase the Group's and the Enlarged Group's vulnerability to both general and industry-specific adverse economic conditions and this may have an adverse effect on the revenue, profits, business, financial conditions or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group's and the Enlarged Group's debt facilities do and will, as is usual for debt facilities of such nature, contain a number of financial, operating and other obligations that may limit their operating and financial flexibility. Their ability to comply with these obligations will depend on the future performance of the business.

Following the entry into the borrowing arrangements for the Acquisition, the Group and the Enlarged Group may find it difficult to obtain new financing or new financing may be at higher costs and a downgrade in any of the Group's and the Enlarged Group's credit ratings could increase this risk

The Group currently uses, and the Enlarged Group will use, funds made available through various sources of financing, primarily issuances of capital markets debt, bank loan financing and euro commercial paper ("ECP"). Further borrowing arrangements have also been entered into by the Group in connection with the Acquisition. Access to financing in the future will depend on, among other things, suitable market conditions and the maintenance of suitable long-term and short-term credit ratings. The Group's and the Enlarged Group's credit ratings may be adversely affected by various factors, including increased debt levels, decreased earnings, decreased customer demand, increased regulation, deterioration in general economic conditions, deterioration in business conditions and adverse publicity. If conditions in credit markets are unfavourable and/or the Group's and the Enlarged Group's credit ratings are downgraded, the marketability and trading value of the Notes may be materially diminished, and the Group and the Enlarged Group may not be able to obtain new sources of financing and/or such new sources of financing, together with the Group's and the Enlarged Group's existing financing sources, may be at higher costs which, in turn, could have a material adverse effect on Imperial Tobacco's, ITL's and the Group's revenue, profits, business, financial condition or results. Furthermore, the Group and the Enlarged Group may be unable to refinance their debt, when it matures, in the debt capital markets, bank loan markets or ECP market. In addition, the cost of refinancing the debt, prior to maturity or when it matures, may be materially higher than the current cost. These events may adversely affect the Group's and the Enlarged Group's borrowing costs and may therefore adversely affect the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group has and the Enlarged Group will have exposure to external counterparties

The Group has and the Enlarged Group will have financing made available from and, from time to time, places cash deposits with and has entered into derivative financial transactions with, a diversified group of financial institutions. Access to funds may be reduced due to the Group's and the Enlarged Group's counterparties being unable to honour their commitments. The Group's and the Enlarged Group's exposure to these external financial counterparties could have an adverse effect on their profit and financial condition which, in turn, could have an impact upon Imperial Finance's or Imperial Finance France's financial condition and Imperial Tobacco's and ITL's profit and financial condition.

The Group's and the Enlarged Group's labour relations or labour unrest may affect operational and financial performance

The Group's management believes that all of the Group's operations have, and that all of the Enlarged Group's operations will have, in general, good relations with their employees, employee representatives and unions. However, there can be no assurance that the Group's and the Enlarged 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 (including problems experienced during any consultation procedures or programmes or the introduction of new labour regulations in countries where the Group operates), including as part of the implementation of the Acquisition, will not adversely affect the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could adversely affect Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group's and the Enlarged Group's products could be affected by failures in quality control and/or contamination

The Group's and the Enlarged Group's products may become contaminated, for example, as a result of an accident during the manufacturing process or deliberately with malicious intent, or may otherwise fail to comply with the Group's quality standards. In these instances, significant costs may be incurred in recalling products from the market. In addition, consumers may lose confidence in the specific brand(s) affected by the contamination, resulting in a loss of sales volume which may take a long time to recover or may not recover fully. During this time, the Group's and the Enlarged Group's competitors may substantially increase their market share which would subsequently be difficult and costly to regain. Contamination of the Group's or the Enlarged Group's products may have an adverse impact on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have an impact on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Additionally, should the Group or the Enlarged Group's products become contaminated, the Group or the Enlarged Group may therefore be subject to claims in respect of such contamination that may have an adverse effect on the revenue, profits, business, financial condition or result of the Group or the Enlarged Group and, in addition, significant costs may be incurred in recalling products from the market. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group and the Enlarged Group could fail to attract or retain key personnel

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, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could have a material adverse effect on Imperial Finance's, Imperial Finance France's, Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results. In addition, management believes that as the Group's and the Enlarged Group's business develops and expands, the Group's and the Enlarged 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 key personnel could significantly impede the Group's and the Enlarged Group's financial plans, growth, marketing and other objectives and adversely affect the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group which, in turn, could impact Imperial Finance's, Imperial Finance France's, Imperial Tobacco's and/or ITL's financial plans, growth, marketing and other objectives. The Group's and the Enlarged Group's success will depend to a substantial extent on the ability and experience of its senior management.

Furthermore, the success of the Group's and the Enlarged Group's strategy is dependent on their ability to attract and retain talent and skills, including a qualified sales force, team of engineers and employees with managerial, technical, sales, marketing and information technology support skills. Employee retention may be particularly challenging following acquisitions or divestures, such as the Acquisition, as the Enlarged Group must continue to motivate employees (of both the Group and the Acquired Assets) and keep them

focused on its strategies and goals, which may be particularly difficult due to potential distractions related to integrating the Acquired Assets. Failure to retain or loss of the skills necessary to execute growth plans and deliver key customer programmes may lead to reduced retailer confidence which may adversely affect the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group and the Enlarged Group may not fully be able to protect or retain their intellectual property rights

The Group and the Enlarged Group rely on trademarks, patents, registered designs, copyrights and trade secrets. The Group and the Enlarged Group will attempt to protect its intellectual property rights, in the U.K., the U.S. and elsewhere, through a combination of trademarks, patents, registered designs, copyrights and trade secret laws, as well as confidentiality agreements. Failure to obtain or maintain adequate protection of intellectual property rights for any reason may adversely affect the Group and the Enlarged Group's revenue, profits, business, financial condition or results. Following completion of the Acquisition the Enlarged Group will have acquired various intellectual property rights relating to the Acquired Brands. This will increase the exposure of the Enlarged Group to injunctive relief or damages granted by courts in on-going litigation and to potential claims or litigation in respect of such intellectual property given the more litigious nature of the U.S. market, and regardless of the outcome of any claims, the Enlarged Group may incur additional costs in defending its intellectual property rights following completion of the Acquisition. An unfavourable outcome or settlement in any current or future litigation may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

As several of the Acquired Tobacco Cigarette Brands are menthol brands or include menthol products, the Enlarged Group may be adversely affected by regulation of menthol in cigarettes

As two of the Acquired Tobacco Cigarette Brands are menthol brands (*Kool and Salem*) and another of the Acquired Tobacco Cigarette Brands has menthol products (*Maverick*), any future FDA regulation of menthol in cigarettes or public concerns that menthol cigarettes may pose greater health risks than non-menthol cigarettes may adversely affect the revenue, profits, business, financial condition or results of the Enlarged Group.

Plaintiffs in various claims, as well as the FDA and other public health agencies, have claimed or expressed concerns that menthol cigarettes may pose greater health risks and may impact public health more than non-menthol cigarettes, including concerns that menthol cigarettes may make it easier to start smoking and harder to quit (see "Regulatory Landscape – Menthol Regulation in the U.S.").

Following completion of the Acquisition of the Acquired Tobacco Cigarette Brands, the Enlarged Group could face increased exposure to tobacco-related litigation as a result of possible FDA or other findings related to menthol products. Even if such claims are unsubstantiated, increased concerns about the health impact of menthol cigarettes could adversely affect sales of the Acquired Tobacco Cigarette Brands. Any ban or limitation on the use of menthol in cigarettes by the FDA could have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Group and the Enlarged Group may be adversely affected by regulation of e-cigarettes and e-vapour products

In the U.S., on 25th April 2014 the FDA published the draft deeming regulations (the "Draft Regulation") which propose to bring all remaining tobacco products (including e-cigarettes) under the FSPTC Act. The Draft Regulation was subject to a public comment period, which closed on 8th August 2014. To date approximately 82,000 such comments have been received by the FDA. As part of the final rule making

process, the FDA is required to consider such comments. The products that are "deemed" to be covered by the FSPTC Act as a result of the final regulation will be subject to, among other things, minimum age restrictions, health warning requirements, and a requirement to register product and ingredient information with the FDA. The final regulation is expected to also require all such products introduced into commerce after 15th February 2007, to be subject to FDA pre-market approval. The result of the regulation will likely be that all e-cigarettes placed on the market after that date will need to be reviewed by the FDA, although products on the market as of the effective date of the regulation will be allowed to remain in the market pending FDA review (please see the section below, "*The Enlarged Group may be adversely affected by further regulation by the FDA*", in respect of potential FDA regulation).

In the EU, e-cigarette products with a nicotine content of up to 20 mg/ml will be regulated in accordance with Article 20 of the revised European Union Tobacco Products Directive ("**EUTPD**"), which requires, among other things, on-pack health warnings, pre-market notification, and annual submission by manufacturers of a comprehensive data set to Member State authorities (please see section below entitled "Regulatory Landscape" for more detail about the EUTPD). Article 20 also bans the advertising of nicotine-containing e-cigarette products in print media, on television, radio and the internet, and it is possible that individual Member States will include more stringent restrictions on advertising in national legislation when implementing the revised EUTPD. Nicotine-free e- cigarette products are subject to the General Product Safety Directive 2001/95/EC of 3 December 2001.

In 2014, Italy became the first country to introduce an excise category for e- cigarette products at 50 per cent. of the factory-made cigarette equivalent, although the measure of "equivalence" is yet to be defined.

Outside of the EU and the U.S., e-cigarette and e-vapour regulation varies, ranging from little or no regulation (e.g. Russia and China) to a complete ban (e.g. in Australia and the United Arab Emirates) of selling nicotine-containing e-cigarette products outside of pharmaceutical regulations. With the increasing popularity of the category and comprehensive legislation in the EU and the U.S., regulation of e-cigarette and e-vapour products is likely to increase in future.

It is not possible to predict the scope of FDA regulations (or any other regulation of e-cigarettes or e-vapour products that may be proposed or implemented by other regulatory authorities) or the impact that any such regulations or the revised EUTPD and eventual national implementation may have on the e-cigarette or e-vapour business. If or when enacted or implemented, such regulation or legislation may have an adverse effect on the revenue, profits, business, financial condition or results of the Group and the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

The Enlarged Group may be adversely affected by further regulation by the FDA

The FSPTC Act of 2009 granted the FDA regulatory authority over all tobacco products with immediate effect over cigarettes, roll your own and smokeless products.

Please see the section entitled "Regulatory Landscape – Regulation in the U.S." for further detail on the FSPTC Act and the FDA.

The regulations under the FSPTC Act, and any further regulations introduced as part of the final regulation referred to in the section of this document entitled "Regulatory Landscape" could result in a substantial decline in the demand for tobacco products (including, in the case of restrictions or bans on packaging, in the ability of the consumers to differentiate brands) or in an increase in the costs of the Enlarged Group in complying with these regulatory requirements, or require manufacturers to review and adapt their product portfolio as a result of restrictions or bans, either by way of developing innovative products or offers in other categories. Each of these may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results. Please see the section below, "*There is no certainty of timing or satisfaction of regulatory and judicial clearance processes required in connection with the Acquisition, which could prevent the Acquisition from completing in its current form or at all*", for details of the impact of the need for U.S. cigarette manufacturers to file 'Substantial Equivalence' reports under the FSPTC Act.

Substantial payment obligations under the Master Settlement Agreement ("MSA") and other State Settlement Agreements, along with state certification requirements, may have an adverse effect on the cash flows and operating income of the Enlarged Group following completion of the Acquisition

Annual payments under the MSA and the other State Settlement Agreements are required to be paid in perpetuity and are based, among other things, on domestic market share and unit volume, 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 for OPM brands, in the year in which payment is due.

Amounts due under the MSA and the other State Settlement Agreements are impacted by a number of factors, including, among others, industry volume, market share and (for OPM brands) industry operating profits. As such, it is possible that any adjustments to volume, market share and industry operating profits may have an adverse effect on the MSA and State Settlement Agreements' obligations, cash flows, revenue, profits, business, financial condition or results of the Enlarged Group.

In addition, the states which are a party to the MSA have passed statutes requiring tobacco cigarette brands to be "certified" (approved for sale) by each state before they can be sold in that state. The Enlarged 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 on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The U.S. Surgeon General has issued reports regarding health risks of cigarette smoking to non-smokers that could result in additional litigation against cigarette manufacturers, additional restrictions placed on cigarette smoking, and additional regulations placed on the manufacture or sale of cigarettes

In a report entitled "The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General, 2006," the U.S. Surgeon General summarised conclusions from previous Surgeon General's reports concerning health risks to non-smokers from exposure to environmental tobacco smoke, also called second-hand smoke. The Surgeon General also addressed health risks to non-smokers from exposure to environmental tobacco smoke in reports published in 2010 and 2014. These reports could form the basis of or be used to support additional litigation against cigarette manufacturers, including against the Enlarged Group. It is also possible that the Surgeon General's reports could result in additional restrictions being placed on cigarette smoking or in additional regulations being placed on the manufacture or sale of cigarettes which could have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Future demand for e-cigarettes and the nature of the e-cigarette market is uncertain

E-cigarettes, having been recently introduced to market, are at an early stage of development and are evolving rapidly. Competition in the e-cigarette industry is intense. The Group competes, and the Enlarged Group will compete, with many companies in the market for e-cigarettes and the nature of the Group's and, following completion of the Acquisition, the Enlarged Group's competitors is varied as the market is highly fragmented. For instance, the Group's competitors, and, following completion of the Acquisition, the Enlarged Group's competitors will include large companies, such as Philip Morris and RJR Tobacco, as well as smaller companies with similar product offerings. The method of distribution for many competing companies is predominately over the internet, with only a small number of competitors currently having a significant presence at retail. Future sales and any future profits in the Group's and the Enlarged Group's e-cigarette business are substantially dependent upon the acceptance and use of e-cigarettes by adult smokers. The Group's and the Enlarged 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 its products, changes in consumer preferences, market competition and government regulation. The Group and the Enlarged Group may not be able to adapt as the e-cigarette industry and customer demand evolves, whether as a result of regulatory constraints or requirements or a failure to respond in a timely and/or effective manner to new technologies, customer preferences, changing market conditions or new developments in the industry, which may have an adverse effect on the Group's and the Enlarged Group's

e-cigarette business. This risk will be increased following the Acquisition as one of the acquired brands is *blu* which is a leading e-cigarette brand in the U.S. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Risks related to the acquisition and associated transaction

Completion of the Acquisition is conditional and the conditions may not be satisfied

Completion of the Acquisition is conditional upon the satisfaction of certain conditions. See "*The Acquisition—Principal terms of the Acquisition*".

There can be no assurance as to the timing of the expiration or termination of the waiting period under the HSR Act with respect to the Merger (or, if applicable, the Acquisition), and therefore the timing of completion of the Acquisition. At any time, any of the DOJ, the FTC, or any state or private person may take action under antitrust laws as it deems necessary or desirable in the public interest, including, without limitation, seeking to enjoin the completion of the Merger or the Acquisition, permitting completion subject to conditions or the divestiture of the businesses acquired as a result of the Merger or the Acquisition. There can be no assurances that any such conditions or such divestiture would be those that Reynolds is obligated to accept or make under the terms of the agreement governing the Merger (the "Merger Agreement"). There can be no assurance that a challenge by the DOJ, the FTC, any state or private person to the Merger or the Acquisition under the antitrust laws will not be made, or, if such a challenge is made, that it will not succeed.

There can be no assurance as to the timing of other necessary regulatory and judicial clearance processes, or that such clearances will not be subject to conditions, requirements, limitations or costs, including the giving of certain undertakings by the Group, to the extent required by the Asset Purchase Agreement. These regulatory conditions, requirements, limitations, costs or undertakings could jeopardise or delay the consummation of the Acquisition or may reduce the anticipated benefits of the proposed acquisition of the Acquired Assets to the Enlarged Group. This may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

In addition, completion of the Acquisition is conditional on the completion of the Merger and there can be no assurance as to the timing of such completion, or that the Merger will be completed in accordance with the terms of the Merger Agreement.

There can be no assurance that the Acquisition conditions will be satisfied (or waived, if applicable). If these conditions are not satisfied or waived, the Acquisition will not take effect, either at all or in the manner currently envisaged. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Acquisition may be subject to delay between signing and completion

During the period prior to completion of the Acquisition, events or developments may occur, including a reduction in demand or decline in market share of the Acquired Brands at a higher rate than anticipated by Imperial Tobacco, which could make the terms of the Asset Purchase Agreement less attractive for the Group and this may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. Any delay in completion could also result in additional transaction costs and a delay and/or a reduction in the realisation of the anticipated benefits of the Acquisition. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Enlarged Group will be required to assume obligations under the MSA and other state settlements in connection with the acquisition of the Acquired Tobacco Cigarette Brands, which may have unforeseen consequences

As part of the Acquisition, ITG Brands has agreed to assume the obligations of an OPM with respect to the Acquired Tobacco Cigarette Brands under the MSA and, as a result, will make OPM payments with respect to these brands with certain limited exceptions. ITG Brands has also agreed to use its reasonable best efforts to reach agreements to assume the obligations of an OPM under the Initial State Settlements in respect of the Acquired Tobacco Cigarette Brands with certain limited exceptions. These matters are described in more detail below. It is anticipated that the current brands sold by Commonwealth Brands and ITG Brands will continue to be treated as SPM brands under the MSA after completion of the Acquisition (including retaining the benefit of the 'grandfathered share', which is an exemption to payment available to certain SPMs on that portion of market share they had when they joined the MSA).

The nature and extent of payment and other obligations for the Acquired Tobacco Cigarette Brands and the current brands sold by Commonwealth Brands and ITG Brands under the MSA and the other State Settlements Agreements cannot be predicted with certainty, and there can be no assurance that any such treatment will not have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an impact upon Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Background

In 1998, Lorillard, Philip Morris Incorporated, Brown & Williamson Tobacco Corporation and RJR Tobacco (the "Original Participating Manufacturers" or "OPMs") entered the MSA to settle asserted and unasserted health care cost recovery and other claims of those states which 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") even though they had not been party to the original action 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 Imperial Tobacco and of several affiliated companies to become SPMs to the MSA had been approved.

The State Settlement Agreements require that the OPMs make annual payments of U.S.$10.4 billion, subject to adjustment for several factors, including inflation, market share and industry volume. In addition, the OPMs are required to pay settling plaintiffs' attorneys' fees, subject to an annual cap of U.S.$500 million, and were required to pay an additional amount of up to U.S.$125 million in each year through 2008. The portion of ongoing adjusted settlement payments and legal fees to be paid by each OPM is based on its relative share of domestic cigarette shipments in the year preceding that in which the payment is due. These payment obligations are the several and not joint obligations of each OPM. 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 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.

In addition, in connection with the MSA, the OPMs entered into an agreement to establish a U.S.$5.2 billion trust fund payable between 1999 and 2010 to compensate the tobacco growing communities in 14 states (the "Trust"). Payments to the Trust ended in 2005 as a result of an assessment imposed under a federal law, enacted in 2004, repealing the federal supply management programme for tobacco growers. Under the law,

tobacco quota holders and growers will be compensated over 10 years with payments totaling U.S.$10.1 billion, funded by an assessment on tobacco manufacturers and importers. Payments under the law to qualifying tobacco quota holders and growers commenced in 2005 and completed in 2014.

There is no certainty of timing or satisfaction of regulatory and judicial clearance processes required in connection with the Acquisition, which could prevent the Acquisition from completing in its current form or at all

DOJ case

RJR Tobacco and Lorillard are parties to a suit by the DOJ in U.S. federal court alleging among other things violations of the U.S. Racketeer Influenced and Corrupt Organizations Act. That litigation resulted in a Final Judgment and Remedial Order dated 18th August 2006, which subjects RJR Tobacco and Lorillard to certain conduct restrictions and imposes certain affirmative obligations, including the publication of "corrective statements" in newspaper advertisements, on pack inserts and on any websites dedicated to promoting or advertising any of the Acquired Tobacco Cigarette Brands. Certain terms of that order are currently subject to appeal.

In order to transfer the Acquired Tobacco Cigarette Brands, the court order requires that before the transfer, the acquirer must, after a determination that the acquirer has the capacity to comply with the order, submit to the jurisdiction of the court and be subjected to the obligations of the order. This will involve seeking formal court approval of ITG Brands as the purchaser of the Acquired Tobacco Cigarette Brands and there is uncertainty as to the scope of obligations that ITG Brands will be required to assume under the order. There may also be objections from other parties to the case relating to the obligations that ITG Brands will be required to assume under the order. There can be no assurance that this process will be satisfied in accordance with the Asset Purchase Agreement and, if this is not satisfied, the Acquisition will not take effect, either at all or in the manner currently envisaged. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

State certifications

In addition, the states which are a party to the MSA have passed statutes requiring tobacco cigarette brands to be "certified" (approved for sale) by each state before they can be sold in that state. Each state will therefore have to re-certify the Acquired Tobacco Cigarette Brands in order for ITG Brands to sell them in that state. If this re-certification process is still pending in any state after completion, Reynolds has agreed to distribute the Acquired Tobacco Cigarette Brands under their existing certifications for a transitional period after completion of the Acquisition, and has further agreed to cooperate with ITG Brands and use its reasonable best efforts to ensure that the Acquired Tobacco Cigarette Brands are continuously certified for sale in the states. If any of the states do not re-certify the Acquired Tobacco Cigarette Brands, ITG Brands will not be able to sell the Acquired Tobacco Cigarette Brands in those states. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

FDA regulation

In 2009 the FSPTC Act granted the FDA authority to regulate all tobacco products with immediate effect on cigarettes and smokeless tobacco products. One of the provisions of the FSPTC Act required all U.S. cigarette manufacturers to file "Substantial Equivalence" reports on products in the market place as of 22nd March 2011, which were either introduced or changed since 15th February 2007. The FDA refers to these reports, filed as of March 2011, as "provisional" Substantial Equivalence reports. Along with other companies, Reynolds has indicated that it has complied with the FDA's requirements by filing provisional Substantial Equivalence reports regarding the Acquired Tobacco Cigarette Brands. The FDA has not yet approved any of the provisional Substantial Equivalence reports which were filed, including those for Reynolds. It is anticipated that these reports will be approved, and Reynolds has agreed to cooperate in the transfer of these reports to ITG Brands, and in obtaining FDA approval. Lorillard has indicated that it filed provisional Substantial Equivalence reports on or before the 22nd March 2011 deadline as required by the FSPTC Act. In addition, Lorillard has indicated that it filed regular Substantial Equivalence reports for new

products and in 2013 received regular Substantial Equivalence orders approving two new products it introduced later that year.

Finally, the transfer of the manufacture of the *Winston*, *Kool* and *Salem* brands and, if acquired, the *Doral* brand to Imperial Tobacco's manufacturing facilities and the transfer of the manufacture of the *Newport* brand to Reynolds' manufacturing facilities (and accordingly, the cessation of the requirement for the Reciprocal Manufacturing Agreement), will in each case require that the parties be able to duplicate the products in their own facilities. Failure to do so could require Substantial Equivalence approval as per the above. This migration process could take longer than expected and result in prolonging the duration of the contract manufacturing arrangement.

There can be no assurance as to the timing or completion of such FDA approvals, transfer of manufacture or the re-certification of the Acquired Tobacco Cigarette Brands for sale by ITG Brands in the states, or that such transfers or re-certification will not be subject to conditions, requirements, limitations or costs, including the giving of certain undertakings by the Group. Moreover, if states with 5 per cent. or more of the MSA Allocable Share have indicated in writing that they will not certify or will de-list the Acquired Tobacco Cigarette Brands, the Acquisition may not take effect, either at all or in the manner currently envisaged. These regulatory conditions, requirements, limitations, costs or undertakings may also reduce the anticipated benefits of the proposed acquisition of the Acquired Assets to the Enlarged Group, and any such matters (or delay in, or failure of, the transfer or recertification process) may adversely affect the cost synergies and operational efficiency improvements anticipated by the Group to be achieved from the Acquisition, which may have an adverse effect on the Group's revenue, profits, business, financial condition or results and those of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Tobacco's and ITL's revenue, profits, business, financial condition or results.

Imperial Tobacco may not realise the expected tax benefits of the Acquisition for the Enlarged Group to the extent envisaged, or at all

Imperial Tobacco expects to generate tax benefits following completion of the Acquisition. There is a risk that changes to relevant legislation, regulation or practice may occur following completion of the Acquisition, which may result, *inter alia*, in a lowering of U.S. tax rates thereby reducing the value of the assumed tax benefit. Such changes, or changes to accounting policies, practices or conventions could also mean there is a risk that the Enlarged Group may not be permitted to amortise the expected tax benefits to the extent currently envisaged by Imperial Tobacco.

Additionally, there can be no assurance that the enlarged U.S. business of the Group generates a taxable profit in each or any financial year, from which the annual amortisation charge can be fully deducted for U.S. tax purposes. This may prevent Imperial Tobacco from generating some or all of the expected tax benefit.

Furthermore, Imperial Tobacco's assumptions regarding the purchase price allocation and fair value of the intangible assets may be revised on the basis of further work pre- or post-completion of the Acquisition. If the tax benefits do not prove to be in line with Imperial Tobacco's expectations or cannot be generated partially or in full following the Acquisition, this may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

In implementing the strategy for the enlarged U.S. business, the Enlarged Group may fail to achieve the expectations of the Company, the Acquired Assets may not perform in line with expectations, and/or the integration of the Acquired Assets could result in operating inefficiencies and other adverse consequences

Assuming the Acquisition is completed, the results of the subsequent implementation of the strategy for the enlarged U.S. business of the Group may differ from the expectations of Imperial Tobacco, the Enlarged Group may not achieve the expected outcomes of this strategy and may fail to perform in line with the expectations of the Company. The implementation of this strategy and the integration of the Acquired Assets may create unforeseen operating inefficiencies and expenditures which pose management, administrative and financial challenges. The integration of the Acquired Assets may be potentially complex and require

significant time and effort on the part of the Group and the Enlarged Group, and resources may be diverted away from core business activities as personnel may be required to assist in the integration process. This integration process may take longer than expected, or difficulties relating to the integration, of which the Directors are not yet aware, may arise. These difficulties and other adverse consequences may include the discovery of potential liabilities, or other problems arising from the contracts and other assets related to the Acquired Assets acquired by the Group, which were not apparent to the Group from its legal, commercial and financial due diligence. There may also be unforeseen disruptions or failures to the operating or IT systems of the Enlarged Group during this integration which could significantly limit the Enlarged Group's ability to manage and operate its business efficiently, and may lead to delays, a loss in sales or increased costs.

Further, there may be challenges associated with the implementation of transitional services in connection with the Acquisition. These may have an adverse effect on the operations, revenue, profits, business, financial condition or results of the Enlarged Group.

Additionally, if the results of the implementation of the strategy for the Enlarged Group and the results and cash flows generated by the combination of the operations of the Acquired Assets with those of the Group are not in line with the Directors' expectations this may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. In certain circumstances, a write-down may also be required against the carrying value of the Group's investment in the Acquired Assets. Such a write-down may reduce the Enlarged Group's ability to generate distributable reserves and consequently affect its ability to pay dividends or return capital to Shareholders or otherwise have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Group may need to rely on certain key individuals of the Enlarged Group in the U.S. to integrate the Acquired Assets

The future success of the Enlarged Group will, in part, be dependent upon the successful integration, retention and motivation of key members of the Enlarged Group's management and staff in the U.S. Failure to identify and retain key individuals following completion of the Acquisition may affect the Group's ability to successfully integrate the Acquired Assets into the Enlarged Group. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

There will be continued interdependence between the Reynolds Group and the Enlarged Group for the manufacture of certain cigarette brands after completion of the Acquisition

Following completion of the Acquisition, and during a transition period until manufacture of the relevant Acquired Brands is transferred to a manufacturing facility of the Enlarged Group, the Enlarged Group will be dependent on the Reynolds Group for the manufacture of the *Winston*, *Kool* and *Salem* brands and, if acquired, the *Doral* brand, as Reynolds and its subsidiaries from time to time (the "Reynolds Group") are retaining the factory at Tobaccoville which produces these brands. If the Reynolds Group suffers business, financial or operational difficulties, or suffers other problems which impede its ability to meet its obligations to the Enlarged Group following completion of the Asset Purchase Agreement, this could result in the Enlarged Group being unable to supply the *Winston*, *Kool* and/or *Salem* brands and/or, if acquired, the *Doral* brand in adequate quantities to meet market demand or at all, which may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

Further, following completion of the Acquisition, and during a transition period until manufacture of the *Newport* brand is transferred to a manufacturing facility of the Reynolds Group, the Enlarged Group will be manufacturing the *Newport* brand for the Reynolds Group as the Group is acquiring the Greensboro factory

where this brand is currently manufactured. If the Enlarged Group suffers business, financial or operational difficulties, or suffers other problems which impede its ability to meet its obligations to the Reynolds Group following completion of the Asset Purchase Agreement, this could result in the Enlarged Group being unable to supply the *Newport* brand in adequate quantities to meet market demand or at all, which could expose the Enlarged Group to a claim under the Reciprocal Manufacturing Agreement between ITG Brands and RJR Tobacco in connection with the Asset Purchase Agreement. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

The Greensboro factory and certain other storage and office facilities which are Acquired Assets could be affected by environmental and health and safety liabilities

The Enlarged Group will acquire Lorillard's manufacturing and office facilities in Greensboro, North Carolina, and certain other storage and office facilities. The Enlarged Group may acquire or incur liabilities associated with such properties under environmental and health and safety laws. Such liabilities may, for example, relate to past, present or future liabilities for breaches of environmental and health and safety laws, land contamination and associated clean-up costs, injuries or illnesses to workers or other persons present at the factory and/or liabilities associated with the presence of hazardous substances such as asbestos. Such liabilities may include civil or criminal penalties as well as claims from third parties and may result in significant costs or liabilities to the Enlarged Group which may adversely affect the revenue, profits, business, financial condition or results of the Enlarged Group. This, in turn, could have an adverse effect on Imperial Finance's or Imperial Finance France's revenue, profits, financial condition or results and Imperial Tobacco's and ITL's revenue, profits, financial condition or results.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the relevant Issuer has the right to redeem Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the

Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without consent of the Noteholders and without regard to the individual interests of particular Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 11 of the Terms and Conditions of the Notes.

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, should definitive Notes be printed, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

French Insolvency Law – Imperial Finance France

Under French insolvency law, holders of debt securities are automatically grouped into a single assembly of holders (the "Assembly") in order to defend their common interests if a safeguard (*procédure de sauvegarde*), an accelerated safeguard procedure (*procédure de sauvegarde accélérée*), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to Imperial Finance France.

The Assembly comprises holders of all debt securities issued by Imperial Finance France (including the Notes) or under which payments remain due under the Guarantee, whether or not under a debt issuance programme and regardless of their governing law.

The Assembly deliberates on the draft safeguard plan (*projet de plan de sauvegarde*), draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*), draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or draft judicial reorganisation plan (*projet de plan de redressement*) applicable to Imperial Finance France and may further agree to:

– increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling due payments and/or partially or totally writing-off receivables in the form of debt securities;

– establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or

– decide to convert debt securities (including the Notes) into securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-thirds majority (calculated as a proportion of the debt securities held by the holders which have cast a vote at such Assembly). No quorum is required to convene the Assembly.

For the avoidance of doubt, the provisions relating to the representation of Noteholders described in the Terms and Conditions of the Notes set out in this Prospectus will not be applicable to the extent that they are not in compliance with compulsory insolvency law provisions that apply in these circumstances.

The procedures, as described above or as they will or may be amended, could have an adverse impact on holders of the Notes seeking repayment in the event that Imperial Finance France or its subsidiaries were to become insolvent.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in euro (ii) the law may allow or require such Notes to be re-denominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

The Notes may be subject to withholding taxes in circumstances where the relevant Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

Withholding under the European Union Savings Directive

Under EC Council Directive 2003/48/EC (referred to in the following paragraphs as the "Directive") on the taxation of savings income, EU Member States of the European Union are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in its jurisdiction to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established that other EU Member State.

On 24th March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. EU Member States are required to apply these

new requirements from 1st January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The amending Directive will also expand the circumstances in which payments must be reported or paid subect to withholding. This approach may apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. The changes referred to above will broaden the types of payments subject to withholding in those EU Member States which still operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected though an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that's payment pursuant to the Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to confirm to such directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the amending Directive is implemented and takes effect in Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Paying Agent with a specified office in a Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27th November 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Directive, as amended.

Foreign Account Tax Compliance Act

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the ICSDs (see "Taxation – Foreign Account Tax Compliance Act"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The relevant Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer or registered holder of the Notes), and the relevant Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer, the Guarantor or ITL to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of Fixed Rate Notes.

Credit ratings assigned to the relevant Issuer, the Guarantor or any Notes may not reflect the risks associated with an investment in those Notes

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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by a European Union-registered credit rating agency or the relevant non-European Union rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Interests of the Dealers

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers, the Guarantor and their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers 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 Imperial Finance or Imperial Finance France or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers 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.

For the purposes of this paragraph, the term "affiliates" also includes parent companies.

Terms and Conditions of the Notes

The following are the terms and conditions of the Notes that, subject to completion in accordance with the provisions of Part A of the applicable Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the applicable Final Terms, or (ii) these terms and conditions as so completed (subject to simplification by deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be.

The Notes are constituted by a Trust Deed (as amended, restated or supplemented as at the date of issue of the Notes (the "Issue Date"), the "Trust Deed") dated 6 February 2015 between Imperial Tobacco Finance PLC ("Imperial Finance" and an "Issuer"), Imperial Tobacco Finance France SAS (an "Issuer" and together with Imperial Finance, the "Issuers"), Imperial Tobacco Group PLC (the "Guarantor") and BNY Mellon Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "Conditions" or the "Terms and Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated 6 February 2015 has been entered into in relation to the Notes between the Issuers, the Guarantor, the Trustee, The Bank of New York Mellon (as initial issuing and paying agent) and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar and the transfer agents for the time being (if any) are referred to below respectively as the "Issuing and Paying Agent", the "Paying Agents" (which expression shall include the Issuing and Paying Agent), the "Registrar" and the "Transfer Agents" (which expression shall include the Registrar). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at 1 Canada Square, London E14 5AL) and at the specified offices of the Paying Agents and the Transfer Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange, the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service.

The Noteholders, the holders ("Couponholders") of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

References herein to the "Notes" shall be references to the Notes of this Series and shall mean, in relation to any bearer Notes represented by a global Note (a "Global Note"), as applicable (i) units of each Specified Denomination in the Specified Currency, (ii) any Global Note and (iii) any definitive Notes issued in exchange for a Global Note.

Subsequent references herein to the "Issuer" shall be to the relevant Issuer named in the applicable Final Terms.

The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

1. Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes"), which expression includes Notes that are specified to be Exchangeable Bearer Notes, in registered form ("Registered Notes") or in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") in each case in the Specified Denomination(s) specified in

the applicable Final Terms, provided that the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing depending upon the Interest Basis specified in the applicable Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2, each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms (not otherwise defined) have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not so transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with

the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding of Registered Notes.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(a), 2(b) or 2(c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(f)) or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by ordinary uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Exchange Free of Charge

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Conditions 6(d) and 6(e), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption by the Issuer may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. Guarantee and Status

(a) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and the Coupons. The Guarantor's obligations in that respect (the "Guarantee") are contained in the Trust Deed.

(b) Status of Notes and Guarantee

The Notes, and the Coupons relating to them, constitute (subject to Condition 4) unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and rateably without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4. Negative Pledge

So long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed) each of the Issuer and the Guarantor undertakes that it will not, and, in the case of the Guarantor, that it will procure that no Subsidiary (as defined below) will, create or have outstanding any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a "Security Interest") upon the whole or any part of its undertaking, assets or revenues (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 any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Notes, the Coupons and the Trust Deed or, as the case may be, the Guarantor's obligations under the Guarantee (A) are secured equally and rateably therewith to the satisfaction of the Trustee or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

"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, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"Subsidiary" means a subsidiary of the Guarantor within the meaning of section 1159 of the Companies Act 2006.

5. Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date in each year up to (and including) the Maturity Date.

Except as provided in the relevant Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upward or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the

Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either specified in the applicable Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period specified in the applicable Final Terms as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Issuing and Paying Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Issuing and Paying Agent as if it were acting as Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the applicable Final Terms;

(y) the Designated Maturity is a period specified in the applicable Final Terms; and

(z) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question as determined by the Issuing and Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issuing and Paying Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Issuing and Paying Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Issuing and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuing and Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Issuing and Paying Agent; and

(z) If paragraph (y) above applies and the Issuing and Paying Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Issuing and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Issuing and Paying Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period

equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Issuing and Paying Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(e) Adjustment of Rate of Interest for Fixed Rate Notes and Floating Rate Notes

If Step Up Ratings Change and Step Down Ratings Change is specified in the applicable Final Terms, the following provisions relating to the Rate of Interest for the Notes shall apply:

(i) The Rate of Interest 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.

(ii) Subject to paragraphs (iv) and (vii) below, from and including the first Interest Payment Date following the date of a Step Up Rating Change, if any, the Rate of Interest (in the case of Fixed Rate Notes) or the Margin (in the case of Floating Rate Notes) payable on the Notes shall be increased by the Step Up Margin specified in the applicable Final Terms.

(iii) Furthermore, subject to paragraphs (iv) and (vii) below, in the event of a Step Down Rating Change following a Step Up Rating Change, with effect from and including the first Interest Payment Date following the date of such Step Down Rating Change, the Rate of Interest (in the case of Fixed Rate Notes) or the Margin (in the case of Floating Rate Notes) payable on the Notes shall be decreased by the Step Up Margin back to the initial Rate of Interest (in the case of Fixed Rate Notes) or the initial Margin (in the case of Floating Rate Notes).

(iv) If a Step Up Rating Change and, subsequently, a Step Down Rating Change occur during the same Fixed Interest Period (in the case of Fixed Rate Notes) or the same Interest Period (in the

case of Floating Rate Notes), the Rate of Interest (in the case of Fixed Rate Notes) or the Margin (in the case of Floating Rate Notes) on the Notes shall be neither increased nor decreased as a result of either event.

(v) The Issuer shall use all reasonable efforts to maintain credit ratings for its senior unsecured long-term debt from the Rating Agencies. If, notwithstanding such reasonable efforts, either Rating Agency fails to or ceases to assign a credit rating to the Issuer's senior unsecured long-term debt, the Issuer shall use all reasonable efforts to obtain a credit rating of its senior unsecured long-term debt from a substitute rating agency that shall be a Statistical Rating Agency, and references in this Condition 5(e) to Moody's or S&P, as the case may be, or the credit ratings thereof, shall be to such substitute rating agency or, as the case may be, the equivalent credit ratings thereof.

(vi) The Issuer will cause the occurrence of a Step Up Rating Change or a Step Down Rating Change to be notified to the Trustee and the Issuing and Paying Agent and notice thereof to be published in accordance with Condition 16 as soon as possible after the occurrence of the Step Up Rating Change or the Step Down Rating Change (whichever the case may be) but in no event later than the fifth London Business Day thereafter.

(vii) A Step Up Rating Change (if any) and a Step Down Rating Change (if any), may only occur once each during the term of the Notes.

The Trustee is under no obligation to ascertain whether a change in the rating assigned to the Notes by a Rating Agency or any substitute rating agency has occurred or whether there has been a failure or a ceasing by a Rating Agency or any Statistical Rating Agency to assign a credit rating to the Issuer's senior unsecured long-term debt and until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such change to the credit rating assigned to the Notes has occurred or no such failure or ceasing by a Rating Agency or any Statistical Rating Agency has occurred.

If the rating designations employed by any Rating Agency is changed from those which are described in this Condition 5(e), the Issuer and the Guarantor shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of that Rating Agency as are most equivalent to the prior rating designations of that Rating Agency, and this Condition 5(e) shall be construed accordingly.

For the purposes of this Condition 5(e) only:

"Moody's" means Moody's Investors Service Ltd, or its successor;

"Rating Agency" means either Moody's or S&P and "Rating Agencies" means both of them;

"S&P" means Standard & Poor's Credit Market Services Europe Limited, or its successor;

"Statistical Rating Agency" means Fitch Ratings Limited or its successor or such other rating agency as the Trustee may approve, such approval not to be unreasonably withheld or delayed;

"Step Down Rating Change" means the first public announcement after a Step Up Rating Change by either a Rating Agency or both Rating Agencies of an increase in the credit rating of the Issuer's senior unsecured long-term debt with the result that, following such public announcement(s), both Rating Agencies rate 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). For the avoidance of doubt, any further increases in the 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; and

"Step Up Rating Change" means the first public announcement by either a Rating Agency or both Rating Agencies of a decrease in the credit rating of the Issuer's senior unsecured long-term debt to below Baa3 (in the case of Moody's) or to below BBB- (in the case of S&P). For the avoidance of doubt, any further decrease in the 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 a Step Up Rating Change.

(f) Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding

(i) If any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the applicable Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) Calculations in respect of Floating Rate Notes

The Issuing and Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amount payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

The Issuing and Paying Agent will calculate the Interest Amount payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with market convention. Where the Specified Denomination of a Floating Rate Note is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(h) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts

The Issuing and Paying Agent shall as soon as practicable on each Interest Determination Date or such other time on such date as the Issuing and Paying Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, or any Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or any Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents and the Noteholders appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their

determination, but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination in accordance with Condition 16. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Issuing and Paying Agent shall (in the absence of manifest error) be final and binding upon all parties.

(i) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Issuing and Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Issuing and Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(j) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) in the case of a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET2 System is open (a "TARGET Business Day") and/or

(iii) in the case of a currency and/or one or more Additional Business Centres a day on which commercial banks and foreign exchange markets settle payments in such currency and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that

Calculation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "Actual/Actual-ICMA" is specified in the applicable Final Terms:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"Determination Date" means the date specified as such in the applicable Final Terms or, if none is so specified, the Interest Payment Date.

"euro" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended (the "Treaty").

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be, specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Commencement Date" means the Issue Date or such other date as may be specified in the applicable Final Terms.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"Interest Period Date" means each Interest Payment Date unless otherwise specified in the applicable Final Terms.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended and updated as at the Issue Date of the first tranche of Notes.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Final Terms.

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuing and Paying Agent.

"Reference Rate" means the rate specified as such in the applicable Final Terms.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms.

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"TARGET2 System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19th November 2007 or any successor thereto.

6. Redemption, Purchase and Options

(a) Final Redemption

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d), 6(e) or 6(f), each Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms at its

Final Redemption Amount specified in the applicable Final Terms (which, unless otherwise provided in the applicable Final Terms, is its nominal amount).

(b) Early Redemption

(i) Zero Coupon Notes

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in the applicable Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown specified in the applicable Final Terms.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount or, if no such amount is so specified in the applicable Final Terms, at its nominal amount.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is not a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom where the Issuer is Imperial Tobacco Finance PLC or France where the Issuer is Imperial Tobacco Finance France SAS or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Trade Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall

be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Before the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and a legal opinion of legal advisers of recognised standing to the effect that such circumstances prevail and the Trustee shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Noteholders, redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at the Optional Redemption Amount specified in the relevant Final Terms (together, if appropriate, with interest accrued to the date fixed for redemption). Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements.

(e) Make-Whole Redemption by the Issuer (Issuer Make-Whole Call)

(a) Sterling Make-Whole Amount

If Sterling Make-Whole Redemption is specified in the applicable Final Terms, the Issuer may, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Noteholders, redeem all, or, if so provided, some of the Notes, at any time or from time to time (i) where no particular period during which Sterling Make-Whole Redemption is applicable is specified, prior to their Maturity Date; or (ii) where Sterling Make-Whole Redemption is specified as only being applicable for a certain period, during such period, in each case on the date for redemption specified in such notice (the "Sterling Make-Whole Redemption Date") at the Sterling Make-Whole Redemption Amount.

The Sterling Make-Whole Redemption Amount shall be equal to the higher of (i) 100 per cent. of the outstanding principal amount of the Notes to be redeemed and (ii) the outstanding principal amount of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin (if any), all as determined by the Financial Adviser plus, in each case, any accrued interest on the Notes to, but excluding, the Sterling Make-Whole Redemption Date.

(b) Non-Sterling Make-Whole Amount

If Non-Sterling Make-Whole Redemption is specified in the applicable Final Terms, the Issuer may, on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Noteholders, redeem all, or, if so provided, some of the Notes, at any time or from time to time (i) where no particular period during which Non-Sterling Make-Whole Redemption is applicable is specified, prior to their Maturity Date; or (ii) where Non-Sterling Make-Whole Redemption is specified as only being applicable for a certain period, during such period, in each case on the date for redemption specified in such notice (the "Non-Sterling Make-Whole Redemption Date") at the Non-Sterling Make-Whole Redemption Amount.

The Non-Sterling Make-Whole Redemption Amount shall be an amount calculated by the Issue and Paying Agent equal to the higher of (i) 100 per cent. of the outstanding principal amount of the Notes to be redeemed and (ii) the sum of the present values of the outstanding principal amount of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin (if any) plus, in each case any accrued interest on the Notes to, but excluding, the Non-Sterling Make-Whole Redemption Date.

Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(e).

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements.

"FA Selected Bond" means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

"Financial Adviser" means an independent financial adviser acting as an expert selected by the Issuer approved in writing by the Trustee;

"Gross Redemption Yield" means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts/Double dated and Updated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8th June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

"Redemption Margin" has the meaning given in the relevant Final Terms;

"Reference Bond" shall be as set out in the applicable Final Terms or shall be the FA Selected Bond;

"Reference Bond Price" means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Issuing and

Paying Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

"Reference Bond Rate" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

"Reference Date" will be set out in the relevant notice of redemption;

"Reference Government Bond Dealer" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Issuing and Paying Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Issuing and Paying Agent by such Reference Government Bond Dealer; and

"Remaining Term Interest" means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition.

(f) Redemption at the Option of Noteholders

(i) General Investor Put

If General Investor Put is specified as being applicable in the applicable Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms, redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Final Terms together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(ii) Change of Control Investor Put

If Change of Control Investor Put is specified in the applicable Final Terms, the following provisions shall apply to the Notes:

If whilst any of the Notes remain outstanding there occurs a Restructuring Event and within the Restructuring Period (a) (if at the time that Restructuring Event occurs there are Rated Securities) a Rating Downgrade in respect of that Restructuring Event occurs or (b) (if at the time that Restructuring Event occurs there are no Rated Securities) a Negative Rating Event in respect of that Restructuring Event occurs (that Restructuring Event and, where applicable, Rating Downgrade or Negative Rating Event, as the case may be, occurring within the

Restructuring Period together called a "Put Event"), the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice under Condition 6(c)) under this Condition 6(f)(ii) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (Put) (as defined below) at its Optional Redemption Amount specified in the applicable Final Terms together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Optional Redemption Date (Put). For the avoidance of doubt, any references in these Terms and Conditions to principal shall be deemed to include the purchase price for Notes should the Issuer opt to purchase Notes pursuant to this Condition 6(f)(ii).

Promptly upon, and in any event within 14 days after, the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Trustee shall (subject in each case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (in each case, a "Put Event Notice") to the Noteholders in accordance with Condition 16 specifying the nature of the Put Event and the procedure for exercising the option (as set out in this Condition 6(f)(ii)).

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 6(f)(ii) the holder of that Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, deliver such Note, on any business day in the city of the specified office of any Paying Agent falling within the period (the "Put Period") of 30 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Put Option Notice") and in which the holder must specify a bank account to which payment is to be made under this Condition 6(f)(ii). The Note (in the case of Bearer Notes) should be delivered together with all Coupons appertaining thereto maturing after the date (the "Optional Redemption Date (Put)") which is the fourteenth day after the last day of the Put Period failing which an amount will be deducted from the payment to be made by the Issuer on redemption of the Notes corresponding to the aggregate amount payable in respect of such missing Coupons.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, to exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 6(f)(ii) the holder of the Note must, within the Put Period (a) give notice to the Issuing and Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on the Noteholder's instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Issuing and Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and (b) if this Note is represented by a Global Note, at the same time present, or procure the presentation of, the relevant Global Note to the Issuing and Paying Agent for notation accordingly.

The Paying Agent to which such Note (if applicable) and Put Option Notice are delivered or the Issuing and Paying Agent, as the case may be, will issue to the holder concerned a non-transferable receipt (a "Put Option Receipt") in respect of the Note so delivered or, in the case of a Global Note or Note in definitive form held through Euroclear or Clearstream, Luxembourg, the notice so received. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date (Put), unless previously redeemed or purchased. Payment in respect of any Note so delivered will be made on the Optional Redemption Date (Put) by transfer to the account specified in the applicable Put Option Notice, in each case

against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 6(f)(ii).

If 95 per cent. or more in nominal amount of the Notes then outstanding immediately prior to the Put Event Notice have been redeemed or purchased pursuant to this Condition 6(f)(ii), the Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16, such notice to be given within 30 days after the Optional Redemption Date (Put), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of, the Notes then outstanding at their Optional Redemption Amount specified in the applicable Final Terms 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.

For the purpose of this Condition 6(f)(ii) only:

"Alternative Clearing System" means any additional or alternative clearing system (other than Euroclear and Clearstream, Luxembourg) approved by the Issuer, the Guarantor, the Trustee and the Issuing and Paying Agent;

a "Negative Rating Event" shall be deemed to have occurred if (a) either the Issuer or the Guarantor does not, either prior to or not later than 21 days after the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a long-term credit rating of the Notes or any other unsecured and unsubordinated debt of the Issuer ("Rateable Debt") from a Rating Agency or (b) if it does so seek and use such endeavours, it is unable, within the Restructuring Period, as a result of such Restructuring Event to obtain such a credit rating of BBB- or higher (in the case of Standard & Poor's Credit Market Services Europe Limited or its successor ("S&P")), Baa3 or higher (in the case of Moody's Investors Service Ltd or its successor ("Moody's")), (or, in the case of S&P or Moody's, as the case may be, their respective equivalents for the time being), or the equivalent credit rating from any other Rating Agency, provided that a Negative Rating Event shall be deemed not to have occurred in respect of a particular Restructuring Event if the Rating Agency declining to assign a credit rating of at least investment grade (as described above) does not announce or publicly confirm or inform the Trustee in writing at its request that its declining to assign a credit rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the Restructuring Event shall have occurred at the time such investment grade rating is declined);

"Potential Restructuring Event Announcement" means any public announcement or statement by the Guarantor, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Restructuring Event where, within 180 days following the date of such announcement or statement, a Restructuring Event occurs;

"Rated Securities" means the Notes so long as they shall have an effective long-term credit rating from any Rating Agency and otherwise any unsecured and unsubordinated debt of the Issuer which has a long-term credit rating from one of the Rating Agencies;

"Rating Agency" means S&P and its successors or Moody's and its successors or any other rating agency of equivalent standing specified by the Issuer from time to time and agreed in writing by the Trustee, such agreement not to be unreasonably withheld or delayed;

"Rating Agencies" means both S&P (and its successors) and Moody's (and its successors) and any other rating agency of equivalent standing specified by the Issuer from time to time and agreed by the Trustee in writing, such agreement not to be unreasonably withheld or delayed;

a "Rating Downgrade" shall be deemed to have occurred in respect of a Restructuring Event if the current credit rating provided by a Rating Agency assigned to the Rated Securities (a) is withdrawn and is not within the Restructuring Period reinstated to, or replaced (by another Rating Agency) by, a credit rating of at least equivalent to that which was current immediately before the occurrence of the Restructuring Event or (b) is reduced from an investment grade rating BBB- (in the case of S&P) or Baa3 (in the case of Moody's) (or their respective equivalents for the time being or the equivalent rating of any other Rating Agency) or higher to a non-investment grade rating BB+ (in the case of S&P) and Ba1 (in the case of Moody's) (or their respective equivalents for the time being or the equivalent rating of any other Rating Agency) or lower and is not raised again to an investment grade rating within the Restructuring Period, provided that a Rating Downgrade otherwise arising by virtue of a particular reduction in, or withdrawal of, a credit rating shall be deemed not to have occurred in respect of a particular Restructuring Event if the Rating Agency making the reduction in, or withdrawal of, a credit rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the applicable Restructuring Event shall have occurred at the time of the Rating Downgrade);

a "Restructuring Event" shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of the Guarantor) that any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers (as in force on the date of issue)), other than a holding company (as defined in Section 1159 of the Companies Act 2006) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Guarantor, or any person or persons acting on behalf of any such person(s), is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Guarantor or (b) such number of shares in the capital of the Guarantor carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Guarantor; and

"Restructuring Period" means the period beginning on the date that is (a) the date of the first public announcement of the Restructuring Event or, if earlier, (b) the date of the earliest Potential Restructuring Event Announcement (if any) and ending 90 days after the occurrence of the Restructuring Event (if any) (or such longer period in which the Rated Securities or Rateable Debt, as the case may be, is or are under consideration (announced publicly within the period ending 90 days after the occurrence of the Restructuring Event) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration).

If the rating designations employed by any of the Rating Agencies are changed from those which are described in paragraph (b) of the definition of "Negative Rating Event" or in the definition of "Rating Downgrade" above, the Issuer and the Guarantor shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of that Rating Agency as are most equivalent to the prior rating designations of that Rating Agency, and this Condition 6(f)(ii) shall be construed accordingly.

(g) Purchases

The Issuer, the Guarantor and any Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) Cancellation

All Notes purchased by or on behalf of the Issuer, the Guarantor or any Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured

Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

(i) Definitions

In these Conditions "Amortised Face Amount" means the amortised face amount calculated in accordance with Condition 6(b)(i).

7. Payments and Talons

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the U.S. and its possessions by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of payment in euro, at the option of the holder, by transfer to or cheque drawn on a euro account (or any other account to which euro may be transferred) specified by the holder.

(b) Registered Notes

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in sub-paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, and subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of such currency.

(c) Payments in the U.S.

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the U.S. and its possessions with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by U.S. law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Laws

All payments are subject in all cases to (i) any applicable laws, regulations and directives, in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986

(the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Appointment of Agents

The Issuing and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms. The Issuing and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and the Guarantor (and, in certain limited circumstances set out in the Trust Deed, as agents of the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) Paying Agents having specified offices in at least two major European cities (v) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vi) a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive (2003/48/EC) or any law implementing or complying with, or introduced in order to conform to such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 16.

(f) Unmatured Coupons and unexchanged Talons

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes should be surrendered for Payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon(s) (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon(s) that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any

unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centres" in the applicable Final Terms and:

(i) in the case of a payment in a currency other than euro where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) in the case of a payment in euro which is a TARGET Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Tax Jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) *Other connection:* to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom or France, as applicable, other than the mere holding of the Note or Coupon; or

(b) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(c) *Payment to individuals:* where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) *Payment by another Paying Agent:* (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "Relevant Date" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable has not been duly received by the Issuing and Paying Agent on or prior to such due date) the date on which payment in full of the amount outstanding is made (notice to that effect shall have been given to Noteholders and Couponholders) or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to:

(i) "principal" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Sterling Make-Whole Redemption Amounts, Non-Sterling Make-Whole Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it;

(ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it; and

(iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

As used in these Conditions, "Tax Jurisdiction" means:

(i) in relation to a payment by an Issuer, the United Kingdom (if the relevant Issuer named in the applicable Final Terms is Imperial Tobacco Finance PLC) or France (if the relevant Issuer named in the applicable Final Terms is Imperial Tobacco Finance France SAS); and

(ii) in relation to a payment by the Guarantor, France and the United Kingdom.

9. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("Events of Default") occurs, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to being indemnified to its satisfaction) give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(i) *Non-Payment of Principal:* default is made for a period of more than 7 days in the payment on the due date of principal in the Specified Currency in respect of any of the Notes; or

(ii) *Non-Payment of Interest:* default is made for a period of more than 14 days in the payment on the due date of interest in the Specified Currency in respect of any of the Notes; or

(iii) *Breach of Other Obligations:* the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied

within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or

(iv) *Cross-Default:* (A) any other present or future indebtedness of the Issuer or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (C) the Issuer or the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that (i) such guarantee or indemnity is not being contested in good faith in accordance with legal advice or (ii) the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iv) have occurred equals or exceeds €50,000,000 or its equivalent (as reasonably determined by the Trustee); or

(v) *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 revenues of the Issuer or the Guarantor or any Principal Subsidiary and is not discharged or stayed within 60 days thereof; or

(vi) *Insolvency:* any of the Issuer or the Guarantor or any Principal Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or substantially all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of its debts or a moratorium is agreed, declared or comes into effect in respect of or affecting all or substantially all of the debts of the Issuer, the Guarantor or any Principal Subsidiary; or

(vii) *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 or the Guarantor or any Principal Subsidiary, or the Issuer or the Guarantor or any Principal Subsidiary shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten 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 (i) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary (or, as applicable, the relevant part thereof) are transferred to or otherwise vested in the Issuer, Guarantor and/or one or more Subsidiaries and except that neither the Issuer, the Guarantor nor any Principal Subsidiary 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 arms length basis; or

(viii) *Ownership of the Issuer:* the Issuer ceases to be directly or indirectly wholly-owned by the Guarantor except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or

(ix) *Guarantee:* the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(x) *Deed of Guarantee:* the guarantee provided under a deed dated 6th February 2015 by Imperial Tobacco Limited is not (or is claimed by Imperial Tobacco Limited not to be) in full force or effect prior to its termination in accordance with its terms,

provided that, in relation to paragraphs (v), (vi) and (vii), in respect of any Principal Subsidiary, the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

"Principal Subsidiary" means:

(a) any Subsidiary of the 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 (as defined in the Trust Deed), and for the purposes of the above:

(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 International Financial Reporting Standards 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 International Financial Reporting Standards 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 International Financial Reporting Standards 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 pre-tax 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 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 Guarantor whether or not addressed to the Trustee that, in their opinion, a Subsidiary of the 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 Guarantor and the Noteholders, all as further provided in the Trust Deed.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect

of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is specified in the applicable Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable in accordance with Condition 16.

(c) Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of an Issuer's successor in business or any subsidiary of such Issuer or its successor in business in place of the Issuer and to the substitution of the Guarantor's successor in business in place of the Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax in consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it

shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

14. Replacement of Notes, Certificates, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Issuing and Paying Agent in London (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in

another leading daily English language newspaper with general circulation in the United Kingdom. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law

The Trust Deed, the Notes, the Coupons and the Talons (including any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

Use of Proceeds

The net proceeds of each issue of Notes by Imperial Finance or Imperial Finance France will be applied by it for its general corporate purposes (including the funding of the Acquisition and of loans to other subsidiaries of the Guarantor).

Summary of Provisions Relating to the Notes While in Global Form

Initial Issue of Notes

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary").

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

If the Global Notes are stated in the relevant Final Terms to be issued in NGN form or the Global Certificates are held under NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a common safekeeper ("Common Safekeeper"). Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the Global Notes issued in respect of any Tranche are in NGN or NSS form, Euroclear and Clearstream, Luxembourg will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility.

If the Global Note is an NGN the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the relevant Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

1. Temporary Global Notes

Subject to the following proviso, each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

1.1 if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme – U.S. Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the customary form for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes,

in each case provided that a temporary Global Note representing Notes having denominations consisting of a minimum Specified Denomination and integral multiples of a smaller amount in excess thereof shall be exchangeable for Definitive Notes only in the limited circumstances (each an "Exchange Event") set out in paragraph 2.4 under "Permanent Global Notes" below.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2. Permanent Global Notes

Subject to the following proviso, each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes", in part for Definitive Notes or, in the case of 2.3 below, Registered Notes:

2.1 by the relevant Issuer giving notice to the Noteholders, the Issuing and Paying Agent and the Trustee of its intention to effect such exchange;

2.2 if the relevant Final Terms provide that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange;

2.3 if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and

2.4 otherwise, (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange,

in each case provided that a permanent Global Note representing Notes having denominations consisting of a minimum Specified Denomination and integral multiples of a smaller amount in excess thereof shall be exchangeable for Definitive Notes only upon an Exchange Event.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only.

3. Permanent Global Certificates

If the relevant Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

3.1 if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

3.2 with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4. Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes if principal in respect of any Notes is not paid when due.

5. Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may, in the case of an exchange in whole, surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be, or if the Global Note is a NGN, the relevant Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant Clearing System. Global Notes and Definitive Notes will be delivered outside the U.S. and its possessions. In this Prospectus, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6. Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

7. Definitive Notes

If, in respect of any Tranche of Notes, the applicable Final Terms specifies that the Global Note may be exchanged for Definitive Notes in circumstances other than upon the occurrence of an Exchange Event, such

Notes will be issued with only one Specified Denomination or all Specified Denominations of such Notes will be an integral multiple of the lowest Specified Denomination, as specified in the applicable Final Terms.

The exchange of a Permanent Global Note for definitive Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the relevant Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

1. Payments and record date

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the customary form. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 8(d) will apply to the Definitive Notes only. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the relevant Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h) (Non-Business Days).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a day on which the Clearing Systems are open and settle transactions.

2. Prescription

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

3. Meetings

For the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4. Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent for endorsement in the relevant schedule of such permanent Global Note, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

5. Purchase

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer, the Guarantor or any Subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

6. Issuer's Option

Any option of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of the relevant clearing system as either a pool factor or a reduction in nominal amount, at their discretion) or any other alternative clearing system (as the case may be).

7. Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

8. Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

9. Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note. Any such notice shall be deemed to have been given to the holders of the Notes on the business day (which for these purposes

shall mean a day on which the relevant clearing systems are open for business) after the day on which the said notice was given to the relevant clearing system.

10. NGN nominal amount

Where the Global Note is a NGN, the relevant Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems, and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Imperial Tobacco Finance PLC

Imperial Tobacco Finance PLC ("Imperial Finance") was incorporated as a private company with limited liability under the laws of England and Wales on 14th June 1996. It was re-registered on 21st 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 20th October 1997. Its registered office is at 121 Winterstoke Road, Bristol BS3 2LL, England (telephone number: +44 (0) 117 963 6636). It is registered with the Registrar of Companies in England and Wales with company number 03214426.

Imperial Finance is an indirect wholly-owned subsidiary of Imperial Tobacco. As at the date of this Prospectus, it has issued share capital of £2,100,000,000 comprising 2,100,000,000 ordinary shares of £1 each.

Imperial Finance is a finance subsidiary of Imperial Tobacco with no business operations of its own, other than advancing funds to, receiving funds from, and providing treasury services for, Imperial Tobacco and its subsidiaries. Imperial Finance has no subsidiaries of its own.

The Directors and Company Secretary of Imperial Finance are as follows:

Name	Title
Oliver R Tant	Director
John M Jones	Director
Nicholas J Keveth	Director
David I Resnekov	Director
John M Downing	Company Secretary

The business address of the Directors is 121 Winterstoke Road, Bristol BS3 2LL, England. Two of the current Directors hold external positions outside the Group, as follows: Oliver R Tant is a Director of The Copse House Cider Company Ltd, a Director of Landshire Estates Ltd, a Director of Landshire Cider Ltd, a Director of Millfield, a member of the Board of Future Fuels No. 1 LLP and a member of the Board of Cobalt Data Centre 2 LLP. David Resnekov is a Director of Longacres Management Company (Bristol) Limited.

There are no existing or potential conflicts of interest between any duties to Imperial Finance of the Directors and/or their private interests and other duties.

Imperial Tobacco Finance France SAS (previously known as Altadis Financial Services SAS)

Imperial Tobacco Finance France SAS ("Imperial Finance France") was incorporated as a *société par actions simplifiée* under the laws of France on 23rd December 1999. It was converted into a "Société en nom collectif" by a decision of the shareholders dated 31st May 2002; then converted again into a "Société par actions simplifiée" by a decision of the sole shareholder dated 20th May 2014. Imperial Finance France was previously known as Altadis Financial Services SAS. Its registered office is at 143 boulevard Romain Rolland, 75685 Paris Cedex 14, France. It is registered in France with company number 428736458.

Imperial Finance France is a direct wholly-owned subsidiary of SEITA, which is an indirect wholly-owned subsidiary of Imperial Tobacco. As at the date of this Prospectus, it has issued share capital of €1,000,000 comprising 100,000 ordinary shares of €10 each.

Imperial Finance France is a finance subsidiary of Imperial Tobacco with no business operations of its own, other than advancing funds to, receiving funds from, and providing treasury services for, Imperial Tobacco and its subsidiaries. Imperial Finance France has no subsidiaries of its own.

The Directors and Company Secretary of Imperial Finance France are as follows:

Name	Title
SEITA.....	President
Julien Bruneau	Company Secretary

The business address of the Directors is 143 boulevard Romain Rolland, 75685 Paris Cedex 14, France.

There are no existing or potential conflicts of interest between any duties to Imperial Finance France of the Directors and/or their private interests and other duties.

Imperial Tobacco Group PLC

Overview

Imperial Tobacco is an international fast moving consumer goods company and is the world's fourth largest international tobacco company with a portfolio that spans the entire tobacco spectrum.

Imperial Tobacco Company (of Great Britain and Ireland) Limited was formed in 1901 by the merger of 13 independent British tobacco companies. As a result, the primary focus of the Group's business historically was the U.K. and Irish markets. Imperial Tobacco was incorporated on 6th August 1996 as a public limited company under the laws of England and Wales, and listed on the London Stock Exchange on 1st October 1996, when Hanson plc spun off its tobacco business to Imperial Tobacco. Since 1996, Imperial Tobacco has pursued a strategy of international growth through targeted organic expansion and acquisitions. This international growth strategy has transformed Imperial Tobacco from a predominantly U.K. business into a leading international tobacco company with sales in over 160 countries worldwide, with particular strengths in the U.K., Germany, Spain, France, Morocco, the U.S., the Netherlands, Australia, Russia and Ukraine.

The core business of Imperial Tobacco is built around a tobacco portfolio that offers consumers comprehensive brand choice with a range of cigarette, fine cut tobacco, paper, cigar and smokeless tobacco brands. In addition to the tobacco business, Imperial Tobacco is creating new consumer experiences through its non-tobacco subsidiary Fontem Ventures. The Group also owns a majority shareholding in a major logistics business in southern Europe, Logista, which is made up of two divisions: tobacco logistics, which is involved in the transportation of tobacco products primarily in Italy, Spain, Portugal, France and Poland, and other logistics, which provides transport services for various industries including publishing, pharmacy and cosmetics.

The Group's business is cash generative and for 30th September 2014, Imperial Tobacco's tobacco net revenue, distribution fees, Group reported operating profit and Group adjusted operating profit for the year were £6,576 million, £848 million, £2,064 million and £3,026 million, respectively.

Strategic Objectives

The Group has a diversified geographic profile and multi-product and multi-brand tobacco portfolio. Its portfolio is characterised by brands and products across all price segments and categories, which provide considerable growth opportunities given the large and diverse number of markets in which the Group operates.

The Group's strategy is to maximise sales, cost and cash opportunities and realise the potential of its portfolio, market footprint and people, to build a stronger platform for growth and enhance the quality and sustainability of its earnings to generate sustainable returns for the Group's shareholders.

There are four key priorities that the Group focusses on to achieve this:

- Strengthening its brand portfolio through investment in brands with the strongest equity;
- Developing its footprint; targeting long-term share and profit growth in Growth Markets and sustained profit performance in Returns Markets;
- Continued management of its cost base in order to drive efficiencies; and
- Balance sheet efficiency and cash management as part of achieving ongoing capital discipline.

Products and services

Tobacco

Imperial Tobacco holds a tobacco portfolio that offers consumers comprehensive brand choice with a range of cigarette, fine cut tobacco, paper, cigar and smokeless tobacco brands. Its tobacco portfolio is divided into

three categories: Growth Brands, Specialist Brands and Portfolio Brands. The Group places particular emphasis on driving the performance of Growth Brands and Specialist Brands as part of enhancing the quality of its revenue and sustainability of earnings.

Growth Brands

The Group's Growth Brands are *Davidoff*, *Gauloises Blondes*, *West*, *JPS*, *Fine*, *News*, *USA Gold*, *Bastos*, *Lambert & Butler* and *Parker & Simpson*, which constituted approximately 45 per cent. of the Group's volumes and 42 per cent. of the Group's tobacco net revenue in the year ended 30th September 2014, representing increases over the year ended 30th September 2013 of 380 basis points and 270 basis points, respectively. Stick equivalent volumes of the key Growth Brands increased by 7 per cent. on an underlying basis in the year ended 30th September 2014.

Specialist Brands

The Group's Specialist Brands are *Style*, *Gitanes* (cigarettes), *Golden Virginia*, *Drum*, *Route 66* (fine cut tobacco, *Backwoods* (cigars), *Skruf* (snus) and *Rizla* (papers). Specialist Brands constituted 12 per cent. of tobacco net revenue for the year ended 30th September 2014 (for the year ended 30th September 2013 this also constituted 12 per cent. of tobacco net revenue).

Imperial Tobacco also has a number of leading international cigar brands including *Cohiba*, *Romeo y Julieta* and *Montecristo* which are owned as part of the Cuban joint venture 'Corporacion Habanos'.

Portfolio Brands

The Group also holds a number of Portfolio Brands, a legacy of its long acquisition history. Many are single market offerings with limited brand equity. Imperial Tobacco intends to migrate some of these brands into Growth Brands.

Migrations are carefully planned and implemented gradually, usually over a six to twelve month period. Brand migrations are intended to support the global development of Growth Brands and reduce the complexity of the Group's business. During the year ended 30th September 2014, the Group started a total of 22 migrations, successfully completing five. More migrations are planned to be progressed in the year ending 30th September 2015 as the Group continues to focus on simplifying its portfolio and building momentum behind its Growth Brands.

Acquisition Tobacco Cigarette Brands

As a result of the Acquisition, the Enlarged Group will hold the Acquired Tobacco Cigarette Brands. These brands are primarily marketed in the U.S. and include *Winston*, *Salem*, *Kool* and *Maverick*. Furthermore, Reynolds has agreed, pursuant to the terms of the Asset Purchase Agreement, to transfer to ITG Brands for no additional consideration the cigarette brand known as *Doral* in the event that the aggregate market share in the U.S. of *Winston*, *Kool*, and *Salem* for the three months ended prior to the month in which complation of the Acquisition occurs falls below 4.9 per cent. This is not expected to be the case on the basis of current three-month market share data, and consequently the likelihood of acquiring *Doral* is currently assessed as low.

Tobacco Market Segments

Imperial Tobacco also divides its tobacco business by segment, into Returns Markets and Growth Markets. Returns Markets are typically mature markets where the Group already has a relatively large market share (greater than 15 per cent.) and the priority is sustainable profit performance, while actively managing market share positions. Growth Markets are mainly large profit or volume pools where the Group's market share tends to be below 15 per cent. and where the priority is to drive long-term share and profit growth. The three tobacco segments presented in the Group's consolidated financial statements are split as follows:

- Returns Markets North – which includes Australia, Belgium, Germany, the Netherlands, Poland, and the United Kingdom amongst others;
- Returns Markets South – which includes France, Spain, Morocco and a number of the Group's African markets; and
- Growth Markets – which includes selected markets in the EU, Eastern Europe, Asia, the Middle East and the U.S.

Logistics

The Group also has a 70 per cent. stake in Grupo Logista, a leading distribution and logistics company serving markets in Spain, France, Italy, Portugal and Poland.

Logista distributes tobacco products for domestic and international tobacco companies, including the Group, to tobacconists and other sales outlets in Spain, France, Italy, Portugal and Poland. The logistics division is run as an independent business, providing individual consumer solutions and access to around 100,000 points-of-sale.

The business also provides distribution and specialised services for customers in a number of different sectors including telecommunications, pharmaceuticals, publishing and lottery. It is also a leading distributor of products to the convenience channel, covering outlets which include tobacconists, petrol stations, and grocery stores.

Logista operates in the transportation segment, through courier and industrial parcel activities in Spain and Portugal. Its long-distance transport network across Europe allows the business to provide integrated services for its customers which provides coverage from their factories to the point-of-sale.

Manufacturing

Imperial Tobacco seeks to share technology and expertise across its 44 factories 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 as part of an ongoing review of its manufacturing footprint in order to maximise efficiencies.

Imperial Tobacco's main materials are tobacco leaf, paper, acetate tow (for the production of cigarette filter tips) and printed packaging materials, 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. However, the Group believes the risk of such an occurrence is low.

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, China, India, Spain, Turkey 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 significantly affect tobacco crops. The Group seeks to offset these risks by purchasing tobacco crops from numerous areas of the world.

Sales and distribution

With a number of countries being subject to the EU Advertising Directive 2006/114/EC and with many countries adopting the World Health Organization ("WHO")'s Framework Convention on Tobacco Control ("FCTC"), tobacco advertising and sponsorship has been banned or restricted in a large number of markets. As conventional means of communication between manufacturers and consumers such as advertising and promotion are progressively withdrawn, effectiveness at the point of sale becomes increasingly important. Imperial Tobacco seeks to ensure the wide availability of its product ranges at competitive prices, by

optimising the points of sale at which its products are offered and constantly monitoring retail outlets for availability and price competitiveness. It has continued to invest in marketing, sales force technology and analysis tools across the Group, and it believes the information provided not only gives it a competitive advantage, but also supports regular, frequent contact with targeted retailers.

The manner in which the Group distributes its products varies by country. In some countries, particularly in Western Europe, it distributes its products itself (including through the logistics channels of Logista). In other countries, particularly in emerging markets, the Group distributes under agreements with third parties. In the countries in which it has its own distribution networks, it often also distributes products for other tobacco manufacturers.

Key Subsidiaries and Associated Undertakings

The principal subsidiaries of Imperial Tobacco (all of which, directly or indirectly, are majority owned by Imperial Tobacco and the issued shares of which are fully paid unless otherwise stated below) are set out below.

Name	Country of incorporation/ residence	Principal activity (% of ownership interest if not 100%)
Altadis, S.A.U..	Spain	Manufacture, marketing, sale and distribution of tobacco products in Spain
Altadis Canaries, S.A.U.	Spain	Marketing and sale of tobacco products in the Canary Islands
Altadis Emisiones Financieras, S.A.U.	Spain	Finance company
Altadis Middle East Fzco	United Arab Emirates	Marketing and sale of tobacco products in the Middle East
Altadis USA, Inc.	U.S.	Manufacture, marketing and sale of cigars in the U.S.
Commonwealth – Altadis Inc.	U.S.	Sale and distribution of tobacco products in the U.S.
Commonwealth Brands Inc.	U.S.	Manufacture, marketing and sale of tobacco products in the U.S.
Compañía de Distribución Integral Logista Holdings, S.A.	Spain	Holding investments in subsidiary undertakings (70 per cent. owned)
Compañía de Distribución Integral Logista, S.A.U.	Spain	Distribution of tobacco products and related services in Spain (70 per cent. owned)
Ets. L. Lacroix Fils N.V.	Belgium	Manufacture, marketing and sale of tobacco products in Belgium
Imperial Tobacco Australia Limited	Australia	Marketing and sale of tobacco products in Australia
Imperial Tobacco China Limited	China	Marketing of tobacco products in China
Imperial Tobacco CR s.r.o.	Czech Republic	Marketing and sale of tobacco products in the Czech Republic
Imperial Tobacco Finance PLC	U.K.	Finance subsidiary of Imperial Tobacco with no business operations of its own, other than advancing funds to, receiving funds from, and providing treasury services for, the Group
Imperial Tobacco Finance France S.A.S.	France	Finance company
Imperial Tobacco Finland Oy	Finland	Marketing and sale of tobacco products in Finland
Imperial Tobacco Hellas S.A.	Greece	Marketing and sale of tobacco products in Greece
Imperial Tobacco Holdings (2007) Limited	U.K.	Holding investments in subsidiary companies
Imperial Tobacco International Limited	U.K.	Export and marketing of tobacco products
Imperial Tobacco Italia Srl	Italy	Marketing and sale of tobacco products in Italy
Imperial Tobacco Limited	U.K.	Manufacture, marketing and sale of tobacco products in the U.K.
Imperial Tobacco Magyarországi Dohányforgalmazó Kft	Hungary	Marketing and sale of tobacco products in Hungary

Name	Country of incorporation/ residence	Principal activity (% of ownership interest if not 100%)
Imperial Tobacco Mullingar	Republic of Ireland	Manufacture of fine cut tobacco in the Republic of Ireland
Imperial Tobacco New Zealand Limited	New Zealand	Manufacture, marketing and sale of tobacco products in New Zealand
Imperial Tobacco Norway A.S.	Norway	Marketing and sale of tobacco products in Norway
Imperial Tobacco Polska S.A.	Poland	Manufacture, marketing and sale of tobacco products in Poland
Imperial Tobacco Polska Manufacturing, S.A.	Poland	Manufacture of tobacco products in Poland
Imperial Tobacco Production Ukraine	Ukraine	Manufacture of cigarettes in Ukraine (99.8 per cent. owned)
Imperial Tobacco Sales & Marketing LLC	Russia	Marketing and sale of tobacco products in Russia
Imperial Tobacco Sigara ve Tutunculuck Sanayi ve Ticaret A.S.	Turkey	Manufacture of tobacco products in Turkey
Imperial Tobacco Slovakia A.S.	Slovak Republic	Marketing and sale of tobacco products in the Slovak Republic
Imperial Tobacco Taiwan Co. Limited	Taiwan	Marketing and sale of tobacco products in Taiwan
Imperial Tobacco Taiwan Manufacturing Company Limited	Taiwan	Manufacture of tobacco products in Taiwan
Imperial Tobacco TKS ad	Macedonia	Manufacture, marketing and sale of tobacco products in Macedonia (99.1 per cent. owned)
Imperial Tobacco Tutun Urunleri Satis ve Pazarlama A.S.	Turkey	Marketing and sale of tobacco products in Turkey
Imperial Tobacco Ukraine	Ukraine	Marketing and sale of tobacco products in Ukraine
John Player & Sons Limited	Republic of Ireland	Marketing and sale of tobacco products in the Republic of Ireland
Logista Italia, S.p.A.	Italy	Distribution of tobacco products in Italy (70 per cent. owned)
Logista France S.A.S.	France	Distribution of tobacco products in France (70 per cent. owned)
OOO Imperial Tobacco Volga LLC	Russia	Manufacture of tobacco products in Russia
ZAO Imperial Tobacco Yaroslavl CJSC	Russia	Manufacture of tobacco products in Russia
Reemtsma Cigarettenfabriken GmbH	Germany	Manufacture, marketing and sale of tobacco products in Germany
Reemtsma Kyrgyzstan OJSC	Kyrgyzstan	Manufacture, marketing and sale of tobacco products in Kyrgyzstan (98.6 per cent. owned)
Skruf Snus AB	Sweden	Manufacture, marketing and sale of tobacco products in Sweden
Société Ivoirienne des Tabacs S.A.[1]	Ivory Coast	Manufacture, marketing and sale of tobacco products in the Ivory Coast (74.1 per cent. owned)
Société Marocaine des Tabacs S.A.	Morocco	Manufacture, marketing, sale and distribution of tobacco products in Morocco
Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes S.A.S.	France	Manufacture, marketing and sale of tobacco products in France and export of tobacco products
Supergroup S.A.S.	France	Wholesale distribution in France
Tobaccor S.A.S.	France	Holding investments in subsidiary companies involved in the manufacture, marketing and sales of tobacco products in Africa
Tobacna Ljubljana d.o.o.	Slovenia	Marketing and sale of tobacco products in Slovenia
Van Nelle Tabak Nederland B.V.	The Netherlands	Manufacture, marketing and sale of tobacco products in the Netherlands
800 JR Cigar Inc.	U.S.	Holding investments in subsidiary companies involved in the sale of cigars in the U.S.

In addition, the Group also wholly owns the following partnerships:

Name	Country of organisation	Principal activity
Imperial Tobacco (EFKA) GmbH & Co. KG	Germany	Manufacture of tubes in Germany
Imperial Tobacco Kazakhstan LLP, ...	Kazakhstan	Marketing and sale of tobacco products in Kazakhstan

(1) Listed on the Stock Exchange of the Ivory Coast.

Joint Ventures

Imperial Tobacco has invested in two Cuban joint ventures (the "Cuban Joint Ventures", all of which, directly or indirectly, are 50 per cent. owned by Imperial Tobacco) which are set out below.

Name and registered office	Country of incorporation / residence	Principal activity
Altabana S.L.	Spain	Holding investments in subsidiary companies involved in the marketing and sale of Cuban cigars
Corporación Habanos, S.A.	Cuba	Export of cigars manufactured in Cuba

Directors and Senior Management

The following table shows the Board of Directors and senior management of Imperial Tobacco as at the date hereof.

Board of Directors	Title	Other Directorships outside the Group
Mark D Williamson.....	Chairman and Non-Executive Director	Senior Independent Non-Executive Director of National Grid plc and Non-Executive Director of Alent plc
Alison J Cooper[2].....	Chief Executive and Director	Non-Executive Director of Inchcape PLC
Oliver R Tant[1]	Chief Financial Officer and Director	Director of The Copse House Cider Company Ltd, a Director of Landshire Estates Ltd, a Director of Landshire Cider Ltd, a Director of Millfield, a member of the Board of Future Fuels No.1 LLP and member of the Board of Cobalt Data Centre 2 LLP, Invicta Martineau Place LP and Green Power Plant LLP
Matthew R Phillips	Corporate Affairs Director	None
Kenneth M Burnett	Non-Executive Director	Non-Executive Chairman of Elemental Energy Technologies Limited, Director of Elemental Energy Technologies (Asia) Pte Limited and Director of New Zealand Quality Waters (2006) Limited
David J Haines	Non-Executive Director	Chairman and Chief Executive Officer of Grohe AG, Director of Joyou AG and Lixil Corp.
Michael H C Herlihy.....	Senior Independent Non-Executive Director	Serves on the board of Compass Partners International LLP and is currently General Counsel for Smiths Group plc and also Director of The Chairman's Forum Limited

Board of Directors	Title	Other Directorships outside the Group
Karen Witts	Non-Executive Director	Group Finance Director and Executive Director of Kingfisher plc
Malcolm I Wyman	Non-Executive Director	Senior Independent Non-Executive Director of Nedbank Group Limited and Non-Executive Director of Serco Group plc
John M Downing[1]	Company Secretary	None

(1) Also a board member of Imperial Tobacco Limited and Imperial Tobacco Finance PLC

(2) Also a board member of Imperial Tobacco Limited

Senior management	Title
Helen F Clatworthy	Business Transformation Director
Peter Corijin	Group Marketing Director
Fernando L Domínguez Valdés-Hevia	Premium Cigar Director
Walter Prinz	Group Manufacturing Supply and Research and Development Director
Arthur J M van Benthem	Group Sales Director
Andrew Newall	Group HR Director

The business address of each of the Directors and senior management is 121 Winterstoke Road, Bristol BS3 2LL, United Kingdom.

There are no existing or potential conflicts of interest between any duties to Imperial Tobacco of the Directors and senior management and/or their respective private interests and other duties, except as disclosed above and in the footnotes to the charts under the headings "*Imperial Tobacco Finance PLC*" and "*Imperial Tobacco Limited*".

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, for the financial years up to and including the year ended 30 September 2014, the Group has complied with the governance rules and best practice provisions applying to U.K. listed companies as contained in section 1 of the U.K. Corporate Governance Code (the "Code") which was introduced in 2012 replacing The Combined Code on Corporate Governance first introduced in 1992. For the current and future financial years, the Group is subject to the version of the Code that was introduced in 2014.

The Board

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 which are reserved for consideration by the Board and on which any final decision must be made by the Board. These include, *inter alia*, approving commercial strategy, corporate plans, major corporate activities, financial statements, payment of dividends and appointment and removal of directors and the Company Secretary.

Corporate accountability and governance are also managed through the following committees of the Board:

Remuneration Committee: The Remuneration Committee sets the remuneration package for each Executive Director and the Group's most senior executives after taking advice principally from external sources, including remuneration consultants New Bridge Street and Towers Watson, both of whom are engaged by the Committee as required.

Nominations Committee: The Nominations Committee's terms of reference are published on the Group website, www.imperial- tobacco.com. The responsibilities of the committee include the evaluation of the balance of skills, knowledge and experience on the Board, the development of role specifications, the formulation of succession plans and the making of recommendations to the Board with regard to the appointment of Directors.

Audit Committee: The Audit Committee's terms of reference cover the matters recommended by the Code and are published on the Group website, www.imperial-tobacco.com. For the year ended 30th September 2014, the Committee's responsibilities included, *inter alia* reviewing the Group's financial results throughout the financial year, including periodic announcements to the market, considering significant and complex accounting transactions and reviewing the processes to ensure the Group has adequate procedures in place to control bribery and corruption risks and evaluating the Board's going concern review.

Operating Executive: The Operating Executive is responsible for assisting the Chief Executive in developing and implementing the Group's strategy and the day-to-day management of the Group.

Major Shareholders

So far as Imperial Tobacco is aware, no person or persons, directly or indirectly, jointly or severally exercise or could exercise control over Imperial Tobacco.

Regulatory Landscape

A variety of regulatory initiatives affecting the tobacco industry have been proposed, introduced or enacted in recent 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 and plain packaging; 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; requirements that products and changes to products are 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 descriptive terms which might be alleged to create an impression that one brand of cigarettes is less harmful than another; and requirements for the tracking and tracing of tobacco products.

Imperial Tobacco 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.

World Health Organization's Framework Convention on Tobacco Control

The WHO's FCTC is an all-encompassing instrument for regulating tobacco products on a global level. It has been ratified by 180 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 guidelines. These guidelines are applicable to the business of the Group.

The guideline on advertising, for instance, seeks to broaden the definition of tobacco advertising to include product display, vending, self-regulatory reporting, other tobacco products and tubes, as well as the pack itself. It further introduces the idea of "innovative health warnings", i.e. health warnings printed on the actual cigarette. The parties have also adopted a protocol in relation to anti-illicit trade which has not yet entered into force.

Other areas of concern 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 FCTC meet at the Conference of the Parties, a set of periodic meetings to discuss the framework. Six such meetings have taken place to date with a seventh to be held in India in January 2017.

Future areas of work to be progressed into guidelines include 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, for instance, requires new printing cylinders to be commissioned, while the implementation of new plant protection product standards, product testing and the submission of ingredients information to national governments require extensive resources, time and material.

EU Tobacco Products Directive (2001/37/EC)

The European Union Tobacco Products Directive ("EUTPD") was adopted in May 2001 for introduction into EU 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 EUTPD commenced in 2010. Following lengthy discussions and review at EU and national levels, the European Parliament and Council adopted the revised EUTPD text on 3rd April 2014. The revised EUTPD entered into force on 20th May 2014. EU member states must transpose the provisions into national law within 24 months. Provisions include: increased pictorial health warnings to 65 per cent. of the packaging (top of front and back of pack); 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 (including menthol); "tracking and tracing" requirements; and for e-cigarettes, nicotine limits, pre-market notification, ingredients reporting and advertising bans.

This Directive is an important piece of European Union legislation both for Imperial's European markets and for its European Union export markets and could have an impact on the entire tobacco product portfolio.

Plain and standardised packaging

The issue of plain packaging is high on the agenda of tobacco control groups. The FCTC recommends introducing plain packaging in the guidelines on advertising, promotion and sponsorship and on packaging and labelling. In the European Union, a review of plain packaging was initially proposed as part of the EUTPD revision but was rejected by most EU member states early on in the process. However, three EU member states (Ireland, the U.K. and France) are currently considering standardised packaging on a national level.

The Australian government's tobacco plain packaging legislation took effect in December 2012. On 6th December 2011, Imperial Tobacco Australia Limited, along with other manufacturers, launched a legal challenge against plain packaging legislation in Australia. On 15th August 2012, the High Court of Australia found that the plain packaging laws were valid under the Australian constitution. The Australian government still faces multiple challenges on the international front, which are unaffected by the High Court decision. These include challenges from five governments in the World Trade Organization and a further challenge under a bilateral investment treaty.

The New Zealand government consulted on whether to introduce plain packaging in 2012. In February 2013, the New Zealand government announced it would await the outcome of the World Trade Organisation challenges to the Australian requirements before making a final decision. Another consultation and a series of hearings were conducted before the New Zealand parliament's Health Select Committee in 2014; however the proposed plain packaging bill was subsequently dropped from the Parliamentary agenda and is currently dormant.

The United Kingdom also considered implementing standardised packaging in 2012 but issued a ministerial statement in July 2013 advising that it had decided to postpone the introduction of standardised packaging until "the emerging impact of the decision in Australia can be measured". On 28th November 2013, the U.K.

Department of Health announced an independent review of all available evidence on standardised packaging, formalising its previous statement that it would keep the policy under review as evidence from Australia emerges. The subsequent report by Sir Cyril Chantler and the review team was published in April 2014. Enabling legislation was passed as part of the Children and Families Bill. The U.K. government notified the European Commission of the draft standardised packaging regulations in accordance with their obligations under the Technical Standards Directive 98/34/EC ("Technical Standards Directive"). 11 EU Member States (Bulgaria, Czech Republic, Greece, Hungary, Italy, Lithuania, Poland, Portugal, Romania, Slovakia and Spain) have notified objections to the European Commission. This has extended the standstill period from three to six months until 2nd March 2015 before the U.K. government can proceed with the policy; no final decision has yet been made. On 21st January 2015, Undersecretary of State for Health Jane Ellison gave a statement in favour of plain packaging, subject to a free vote before the 2015 U.K. general election. Scotland, Wales and Northern Ireland have reserved the right to introduce their own legislation if dissatisfied with the U.K. parliament's commitment.

A number of other markets have also expressed an interest in exploring the possibility of implementing plain packaging. For example, Ireland held a public consultation and oral hearings on the issue in December 2013 and January 2014. The Irish Health Committee published a report on 3rd April 2014 recommending that the government proceed with standardised packaging. On 10th June 2014, the Irish government approved the publication of the plain packaging bill and presented it to the Irish Senate. The Irish government has also notified the European Commission of the draft regulations in accordance with its obligations under the Technical Standards Directive and to the WHO on 17th June 2014. Ten EU Member States (Bulgaria, Czech Republic, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovakia and Spain) have all submitted detailed opinions to the European Commission criticising the Irish proposal. Following the lapse of the standstill period at the end of December 2014, the Irish government has not yet proceeded with the bill on a national level.

Product display bans at point of sale

Product display restrictions at point of sale have been in place in a small number of countries for a number of years and have been implemented both on national and state levels. Norway, Iceland, Finland, New Zealand, Thailand, Canada, Australia and a number of other countries have implemented or passed legislation banning tobacco displays.

Ireland was the first European Union member state to introduce a point -of -sale display ban, which became effective in July 2009, and England banned displays in large retail outlets from April 2012. Northern Ireland implemented a display ban in large retail outlets in October 2012, with Wales and Scotland following in December 2012 and April 2013 respectively. England, Scotland, Wales and Northern Ireland will all introduce display bans in smaller shops from April 2015.

The Group applied for judicial review in the Scottish courts seeking to challenge the ability of the Scottish Parliament to legislate for vending and display bans in Scotland. The challenge was rejected by the Outer House (the court of first instance in Scotland) and the Inner House (the Scottish Court of Appeal). On 12th December 2012, the appeal was rejected by the U.K. Supreme Court and the ban on the display of cigarettes in large retail outlets in Scotland came into force in April 2013.

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

There is a general trend towards the introduction of pictorial health warnings on tobacco products and some countries including Canada, Brazil, Australia, New Zealand, Thailand, Singapore, Ireland and the United Kingdom have already implemented them.

In Europe, a comparatively small number of EU member states have chosen to introduce pictorial health warnings so far, and the European Union authorities are now mandating their use EU-wide through the revised EUTPD. Following national transposition, cigarette and fine cut tobacco packs in all 28 EU member states will carry pictorial health warnings from May 2016.

Smoking in public places

The majority of countries in which Imperial Tobacco 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 a number of markets including in Ireland, the United Kingdom, Norway, New Zealand and Australia, as well as within Canada and the U.S.

The European Council of Ministers adopted a non-binding recommendation on smoke free environments, which called on Member States to bring in line their laws to protect their citizens from environmental tobacco smoke exposure by 2012. However, in autumn 2013, the European Commission stated that they had decided not to pursue EU-wide smoking-in-public-places workplace regulation.

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 U.S. and Australian states and Canadian provinces have already passed legislation to this end and others are likely to follow at some point in the near to mid-term future.

Experience in many markets has shown that following the introduction of public place smoking restrictions there is usually an initial decline in consumption, which diminishes over time.

Regulation of other flavoured tobacco products

Some countries are now seeking to restrict or ban the use of certain flavours in cigarettes, arguing that such products disproportionally appeal to minors and act as a catalyst for young people taking up smoking. In the U.S., the FSPTC Act bans characterising flavours other than tobacco and menthol. 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. The revised EU Tobacco Products Directive also bans the use of characterising flavours from May 2016 with a 4-year derogation for products with a characterising flavour whose EU wide sales volume represents 3 per cent. or more in a particular product category until May 2020. Menthol cigarettes will benefit from this derogation.

A ban on flavoured cigarettes would require manufacturers to review and adapt their product portfolio in order to offer consumers an alternative when flavoured cigarettes are no longer available, either by way of developing innovative products or offers in other categories.

Regulation in the U.S.

The FSPTC Act of 2009 granted the FDA regulatory authority over all tobacco products with immediate effect over cigarettes, roll 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, brands 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; increase the health warning size 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 (for further discussion relative to menthol products, please see the section above, "*As several of the Acquired Tobacco Cigarette Brands are menthol brands or include menthol products, the Enlarged Group may be adversely affected by regulation of menthol in cigarettes*"); and allow the FDA to issue regulations deeming other tobacco products to be subject to the FSPTC Act.

In addition, on 25th April 2014, the FDA published the Draft Regulation which proposed to bring all remaining tobacco products (including cigars and e-cigarettes) under the regulatory authority of the FDA. The Draft Regulation was subject to a public comment period, which closed on 8th August 2014. To date approximately 82,000 such comments have been received by the FDA. As part of the final rule making process, the FDA is required to consider such comments, and a final regulation is not expected until June 2015 or later. These products that are "deemed" to be covered by the FSPTC Act as a result of the final regulation will be subject to, among other things, minimum age restrictions, health warning requirements and a requirement to register product and ingredient information with the FDA. The final regulation is also expected to require that all such products introduced into commerce after 15th February 2007 to be subject to FDA pre-market approval. Because most e-cigarettes were introduced into commerce after that date, the result will be that virtually all e-cigarettes will need to be submitted to the FDA for review, although products on the market as of the effective date of the regulation will be allowed to remain in the market pending FDA review. The final regulation, while expected to include most of the restrictions relating to cigarettes and smokeless tobacco products, may differ in its treatment of newly deemed products (for further discussion relative to e-cigarettes, please see the section above, "*The Enlarged Group may be adversely affected by regulation of e-cigarettes and e-vapour products*" in respect of potential FDA regulation).

Menthol Regulation in the U.S.

The FSPTC Act in 2009, the FDA established the Tobacco Products Scientific Advisory Committee (the "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, menthol likely increases 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 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 "[r]emoval of menthol cigarettes from the marketplace would benefit public health in the U.S.".

On 27th 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 "[e]xperts 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. On 26th 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 "FDA submitted its report to external scientists for peer review, and the agency is revising its report based on their feedback".

On 24th 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 Advance Notice of Proposed Rulemaking ("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 FDA in making informed decisions related to potential regulation of menthol in cigarettes. The FDA established a comment period, which ended on 22nd November 2013, for the ANPRM and PSE, and said it will consider all comments and other information submitted to determine what, if any, regulatory action is appropriate. If the FDA determines that regulation of menthol is warranted, the FDA could promulgate regulations that, among other things, could result in a ban on, or restrictions on the use of, menthol in cigarettes, or further restrictions on the marketing and advertising of menthol cigarettes. The timing of the release of any such proposed regulation remains uncertain.

Litigation

Litigation relating to the Group

Litigation in the U.S.

A subsidiary of the Group, Commonwealth Brands, is named as a defendant along with numerous other tobacco manufacturers in a 2005 personal injury lawsuit known as *Croft v Akron Gasket*, *et al*, which was filed in a state court in Cuyahoga County, Ohio.

The claim is in respect of alleged injuries caused by smoking a brand of cigarettes between 1941 and 1943 which were acquired by Commonwealth Brands from another cigarette manufacturer in 1996. A motion for summary judgment was filed by Commonwealth Brands in October 2005. In February 2012, the case was administratively dismissed without prejudice, in an order designated as "final", on a motion filed by Eaton Corporation. Counsel in Ohio has indicated that the plaintiff could attempt to revive or re-file the action under Ohio law.

The Group does not believe there to be any potential liability associated with this claim at this stage given that the claim has been dormant for several years and, as noted above, has been dismissed. Although there is a possibility the plaintiff could attempt to revive or re-file the action, there has been no attempt to revive it for over two years.

U.S. litigation environment and the MSA

In respect of state health care costs, Commonwealth Brands, SEITA, ITG Brands, Imperial Tobacco Limited and several other affiliates of the Group are signatories to the MSA in the U.S.

The MSA includes an adjustment mechanism, known as a non-participating manufacturer ("NPM") adjustment, that potentially reduces participating tobacco manufacturers' annual MSA payment obligations. In order for an NPM adjustment to be made, an independent auditor must determine that the participating manufacturers 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 that are MSA parties according to whether they "diligently enforced" statutes known as "Qualifying Statutes". Although, for each year from 2003 to 2012 inclusive, the two requirements for application of the adjustment have been fulfilled, the relevant settling states dispute that any adjustment is required on the basis that they "diligently enforced" "Qualifying Statutes". This dispute is continuing. The states and manufacturers recently completed arbitration over the 2003 NPM adjustment, with disputes over the remaining years still to be arbitrated.

Effective from 17th December 2012, the manufacturers entered a "term sheet" with 17 states, the District of Columbia, and Puerto Rico setting out terms for settlement of the NPM adjustment for 2003 through to 2012 and addressing the NPM adjustment mechanism for those states for future years. The arbitration panel ordered implementation of certain terms of the settlement and rejected objections to it in March 2013. In April and May 2013 three additional states joined the settlement and two more have joined as of June 2014. This is an ongoing claim by a number of manufacturers and any estimates of credits on settled claims are subject to change depending upon a number of factors included in the calculation of the credits. Certain states that are not parties to the proposed settlement objected to approval of the term sheet by the arbitration panel, and have subsequently filed motions to vacate the settlement in their state courts. The trial-level courts

in three settling states have rejected those states' motions to vacate. Two of those states have filed appeals which are pending. The other state has not appealed so the order denying the motion to vacate the settlement in that state is now final.

The arbitration panel for the 2003 NPM adjustment issued its decisions with respect to the states and territories that did not agree to settle in September 2013. Previously, the manufacturers had advised the panel that they were not contesting diligent enforcement for 16 states. The panel's decisions found that six of the remaining 15 states that were contested, and that did not settle, were not diligent. As a result, after the panel's decisions, the manufacturers were set to recover the entire amount remaining for the 2003 NPM adjustment after the pro rata reduction ordered by the panel to reflect the settlement and a 20 per cent. reduction for a prior settlement.

All of the six states that were found "non-diligent" filed motions to vacate their individual awards in their individual state courts. They sought to overturn the awards entirely, eliminating their liability for the 2003 NPM adjustment, and also sought to reduce their exposure by altering the arbitration panel's treatment of the settlement. Two of those six states subsequently joined the term sheet settlement resolving the manufacturers' claims to the 2003 through 2012 adjustment and addressing the NPM adjustment mechanism for those states for future years. In two of the remaining four states, the trial-level state courts have issued decisions denying the states' requests to overturn the awards entirely but reducing the amount of recovery by changing the panel's treatment of the settlement. In a third state the trial-level state court has issued a decision denying both the state request to overturn the award entirely and the state request to reduce the amount of recovery. All three of these decisions are on appeal. At this stage in the proceedings, the value of this claim is unquantifiable.

Other U.S. litigation

On 20th November 2014, a complaint was filed in the federal trial court in Philadelphia, Pennsylvania against Commonwealth Brands, Inc., Altadis, and Commonwealth-Altadis, Inc., each being subsidiaries of Imperial Tobacco, and a third party, Satnam Distributors LLC, alleging violations of various U.S. antitrust laws. The proceedings are at a very initial stage and the claims cannot, at this stage, be quantified.

Litigation in Italy

Logista, as a distributor of cigarettes, is currently a defendant in a claim commenced before a First Instance Judge (Giudice di Pace) in Naples by Mr Eduardo Arnese. The amount of the claim has not been precisely quantified by the claimant and is for damages suffered as a consequence of alleged addiction. Logista filed a challenge to the competence of the Giudice di Pace which was heard in 2006. The judgment on this and other procedural issues is awaited.

At this state in the proceedings, the value of this claim is unquantifiable.

Litigation in Ukraine

In August 2012, Imperial Tobacco Ukraine ("ITU") received a decision from the State Tax Service Department (the "Department") seeking to apply financial sanctions equivalent to approximately £87 million based on ITU's alleged contravention of the law on state regulation of production and circulation of alcohol and tobacco, by engaging in the wholesale trade of tobacco without the correct licence.

ITU's appeal against the decision was upheld by the Circuit Administrative Court in Kiev in October 2012. The Department's appeal to the Kiev Administrative Court of Appeal was dismissed in February 2013 and its further appeal to the Superior Administrative Court of Ukraine was dismissed in June 2013. In August 2013, the Superior Administrative Court of Ukraine dismissed the Department's application for its decision to be reviewed by the Supreme Court of Ukraine. There are limited circumstances in which the Department could file a further appeal and ITU has been advised that the prospect of this happening is low.

As a consequence, the Group did not provide for any amount in the audited consolidated annual financial statements of the Group for the year ended 30th September 2014 and does not believe there to be any potential liability in respect of this matter.

EC proceedings

In December 2007, the European Commission (the "EC") commenced state aid proceedings against the Spanish state pursuant to Article 88.2 of the European Union Treaty (current Art. 108.2 Treaty on the Functioning of the European Union. 2012/C 326/01), relating to a Spanish tax law which allows the difference between the acquisition value and the net value of a stake in non-Spanish resident entities to be tax deductible in certain circumstances. The EC claimed that the law is selective in favour of certain entities and could have an adverse effect upon competition.

In October 2009, the EC rendered a negative decision with respect to the effect of the Spanish tax law on intra-European Union acquisitions, determining that these tax deductions qualified as state aid, since it provided selective advantage to Spanish companies in the acquisition of non-Spanish resident European Union targets, making it incompatible with the European Union single market. The EC limited the effect of its decision, however, to any tax deductions taken under this law after 21st December 2007, when these EC proceedings were commenced, reasoning that the companies who took these tax deductions had "legitimate expectations" that this Spanish tax law was valid and did not conflict with European Union state aid provisions. Since Logista acquired its European Union-investment in 2004, it will not have to reimburse the amounts of its tax deductions, which amounted to approximately €63 million (approximately £49 million) as of 30th September 2014.

Several companies have appealed the decision before the General Court of the European Union. Most of the appeals contend that the measure did not entail state aid and that the principle of legitimate expectations should have been extended until the publication of the final decisions in the official Journal. The only exception is the appeal filed by a non-Spanish entity against the acknowledgement of the existence of legitimate expectations prior to 21st December 2007.

In a decision delivered on 7th November 2014, the General Court of the European Union has annulled the EC decision on the basis that the EC has failed to demonstrate that the Spanish measure was selective. The judgment expressly excludes the possibility of recovering the tax benefits.

On 19th January 2015, the EC had appealed to the Court of Justice of the EU. As at the date of this Prospectus, the contents of this appeal had not yet been discussed.

As a consequence, the amount deducted by Logista related to the European Union operation would only be subject to a recovery order if the Court of Justice of the EU, following an appeal by the EC, annulled the 7th November judgment and allowed the appeal related to the legitimate expectation.

At this stage in the proceedings, the value of this claim is unquantifiable.

Litigation by trade unions

In January 2006, Altadis and Logista discontinued the supply of tobacco products to certain of their current and retired employees as a result of Spanish legislation prohibiting, amongst other things, the sale and supply of tobacco products by means other than through authorised outlets. Certain trade unions issued legal proceedings against Altadis and Logista and in July 2006, the Court of First Instance in Spain ruled that the companies' decisions to discontinue the supply were lawful but that they were obliged to compensate the relevant employees with the point-of-sale cash equivalent. Both parties appealed this decision to the Spanish Supreme Court. On 8th April 2008 and 18th April 2008 respectively, the Supreme Court held that Altadis and Logista were right to discontinue the supply of tobacco products to their employees and that they should substitute the supply of tobacco products with cash, but not at their retail price. In September 2014, agreement was reached with a number of the relevant retired employees to settle outstanding compensation due to those individuals. The settlement agreement and process was challenged by the trade unions, and on 9th October 2014, the Labour Chamber of the National Court in Spain ruled in favour of the trade unions in

the first instance. Altadis intends to appeal the ruling to the Spanish Supreme Court and following external legal advice, Imperial Tobacco believes that there are strong grounds for considering that this ruling will not be upheld by the Supreme Court. Imperial Tobacco estimates the net present value, at September 2014, of any remaining compensation which may be paid by Altadis, Imperial Tobacco España S.L.U., Tabacalera S.L.U. and Logista to be approximately £70 million, in aggregate. Appropriate provisions exist in the companies' statutory accounts.

Litigation related to the Acquired Assets

Certain members of the Reynolds Group and certain members of the Lorillard Group are, in respect of the Acquired Tobacco Cigarette Brands, subject to ongoing, pending and threatened product liability proceedings in the U.S. including: (a) individual claims alleging personal injury or death; (b) class actions alleging personal injury or requesting court-supervised programmes for on-going medical supervision and monitoring; (c) claims brought to recover the costs of providing health care; and (d) claims in relation to the labelling of products as "light" or "ultra light". However, as the Acquired Tobacco Cigarette Brands are being acquired without historic product liabilities, these proceedings and the respective quantum of such claims are not described in further detail in this document.

On 7th April 2014, LOEC, Inc. ("LOEC") filed a complaint for declaratory judgment of trademark non-infringement against Zippmark, Inc. ("Zippmark") and Zippo Manufacturing Company ("ZMC") (together "Zippo") in the U.S. District Court for the Central District of California. The lawsuit was predicated by Zippmark's decision to file oppositions with the U.S. Patent and Trademark Office's Trademark Trial and Appeal Board against Lorillard Technologies, Inc.'s ("LTI") applications to register certain trademarks for BLU and allegations that Lorillard infringed several of Zippo's registered trademarks. On 19th May 2014, Zippo filed an answer and counterclaim for trademark infringement. Zippo's counterclaim is for, among other things, injunctive relief, treble damages and an accounting of profits (unspecified sums), attorneys fees and costs. On 12th June 2014, LOEC filed its answer to Zippo's counterclaim and filed its own counterclaim seeking to cancel certain Zippo trademarks based on descriptiveness and for false/fraudulent registration. On 7th July 2014, Zippo responded to the LOEC's counterclaim and included a counterclaim in reply seeking to cancel LTI's registered mark for BLU ECIGS. On 28th July 2014, LOEC filed an answer to Zippmark's counterclaim in reply for cancellation of registered trademarks. On 11th August 2014, LTI and LOEC filed LTI's answer to Zippmark's counterclaim in reply for cancellation of registered trademarks. According to the minutes of a scheduling conference dated 21st July 2014, the cut-off date for discovery is set for 22nd January 2015. The trial date is scheduled for 21st April 2015. This is a non-monetary claim meaning that at this stage in the proceedings, the value of this claim is unquantifiable.

On 14th and 18th July 2014, ZMC filed three applications with the U.K. Intellectual Property Office ("U.K. IPO") to declare invalid three International Registrations for Trademarks for BLU ECIGS, *blu* eCIGS (stylised) and BLU CIGS protected in the U.K. in class 34 and owned by LTI. On 29th August 2014, Cygnet U.K. Trading Ltd ("Cygnet"), a subsidiary of Lorillard, and LTI filed a claim against ZMC for: (a) groundless threats of infringement proceedings; and (b) declarations of non-infringement with respect to ZMC's Community Trade Mark numbers 004629689 and 005232211, and any other ZMC trade mark which incorporates the word "BLU" or any word or logo immaterially different to it. Lorillard issued a press release on 3rd September 2014 in relation to this claim entitled "Lorillard Subsidiaries Sue Zippo in the U.K. to Stop Unfounded Threats Against BLU ECIGS". On 6nd October 2014, LTI filed its notices of defence and counterstatement with the U.K. IPO with respect to its International Registrations for Trademarks for BLU ECIGS, *blu* eCIGS (stylised) and BLU CIGS protected in the U.K.. On 22nd October 2014, ZMC entered a defence to Cygnet and LTI's claim denying that it had made a groundless threat, and served a counterclaim alleging Cygnet's and LTI's use of the various blu marks infringed ZMC's Community Trade Marks. ZMC's counterclaim is for, among other things, injunctive relief, damages or an accounting of profits, and costs. On 19th November 2014, Cygnet and LTI filed its defence denying infringement of the Community Trade Marks and served a counterclaim to revoke those Community Trade Marks for non-use and/or invalidate the Community Trade Marks due to the fact that they are devoid of distinctive character, descriptive of the products in relation to which they are registered and, or in the alternative, are deceptive in relation to certain of the products in relation to which they are registered. On 10th December 2014, ZMC filed its defence to

Cygnet and LTI's counterclaim, denying that its Community Trade Marks are or were at any material time invalid. At this stage in the proceedings, the value of this action is unquantifiable.

On 15th April 2014, ZMC filed oppositions against CTM Application Nos. 12592572 *blu* eCIGS (stylised) and 12580651 BLU owned by LTI. ZMC has based its oppositions on its earlier CTM Registration Nos. 5232211 BLU and 4629689 BLU & Device. At this stage in the proceedings, the value of this action is unquantifiable.

On 22nd June 2014, ZMC filed cancellation actions in Austria in relation to LTI's International Registrations numbers WO0000001051365, WO0000001058275 and WO0000001051607. No proceedings have been served on LTI. At this stage in the proceedings, the value of this action is unquantifiable.

On 22nd August 2014, ZMC filed an opposition against Croatian Trade Mark Application No. Z20140613A BLU owned by LTI. On 28th November 2014, ZMC filed an opposition against Croatian Trade Mark Application No. Z20140614A *blu* eCIGS (stylised) owned by LTI. ZMC has based its opposition on its earlier CTM Registration Nos. 5232211 BLU and 4629689 BLU & Device. At this stage in the proceedings, the value of this action is unquantifiable.

On 6th August 2014, ZMC obtained a preliminary injunction from the District Court of Frankfurt am Main against Cygnet U.K. Trading Ltd., on the basis of ZMC's Community Trademarks for BLU. The injunction was served on Cygnet U.K. Trading Ltd. on 26nd November 2014. Cygnet U.K. Trading Ltd. is complying with the injunction and has ceased selling BLU e-cigarettes and related products in Germany. At this stage in the proceedings, the value of this action is unquantifiable.

On 7th May 2014 (issued on 25th August 2014), ZMC filed at the Trademark Appeal Board of the State Administration for Industry and Commerce of the People's Republic of China three applications for the invalidation of LTI's *blu* eCIGS (stylised) trademark with International Registration number 1058275, BLU ECIGS trademark with International Registration number 1051365 and BLU CIGS trademark with International Registration number 1051607 registered in class 34. With respect to International Registration No. 1051365 BLU ECIGS, ZMC has argued that LTI disclaimed the word "ECIGS" and as a result the distinctive part of the mark must be constrained to "BLU". On 30th September 2014, LTI filed its defence to the three invalidity actions against International Registration Nos. 1058275, 1051365 & 1051607. On 14th November 2014, LTI filed non-use cancellation proceedings against ZMC's registration Nos. 4912199 and 6131784 in Class 34 and 6131785 and 6131786 in Class 4 for BLU & Device. At this stage in the proceedings, the value of this action is unquantifiable.

Zippo has opposed LTI's Canadian Trade-mark Application No. 1501523 for the mark BLU ECIGS & Design on the basis of prior rights and likelihood of confusion. Zippo cross-examined LTI's President and LoEC's vice President of Marketing on 12th November 2014. At this stage in the proceedings, the value of this claim is unquantifiable.

LOEC, Inc. is also a defendant in four lawsuits filed on 22nd June 2012, 5th March 2014, 21st October 2014, and 2nd December 2014 by Ruyan Investment (Holdings) Limited and its successor companies, Fontem Ventures and Fontem Holdings 1 B.V., both companies being owned and controlled by the Group in the U.S. District Court for the Central District of California, alleging infringement of certain patents owned by Fontem Holdings 1 B.V. and exclusively licensed to Fontem Ventures related to electronic cigarette technology. The first case, filed on 22nd June 2012, has been stayed pending proceedings before the U.S. Patent and Trademark Office. These are non-monetary claims meaning that at this stage in the proceedings, the value of these claims is unquantifiable. The second case, filed on 5th March 2014, is currently stayed. The third and fourth cases, filed on 21st October 2014 and 2nd December 2014 have not yet been served on LOEC, Inc. No provision for this action has been made in the financial statements due to the current status of the claim (stayed) and the fact that the counter-party is a subsidiary of the Group.

Guarantees

Imperial Tobacco has guaranteed various borrowings and liabilities of certain U.K. and overseas subsidiary undertakings, including various Dutch and Irish subsidiaries. As at 30th September 2014, the contingent liability totalled £9,965 million (2013: £11,238 million).

The guarantees include the Dutch subsidiaries which, in accordance with Book 2, Article 403 of The Netherlands Civil Code, do not file separate financial statements with the Chamber of Commerce. Under the same article, Imperial Tobacco has issued declarations to assume any and all liability for any and all debts of the Dutch subsidiaries.

The guarantees also cover the Irish subsidiaries, all of which are included in the financial statements at 30th September 2013. The Irish companies, namely John Player & Sons Limited and Imperial Tobacco Mullingar, have therefore availed themselves of the exemption provided by section 17 of the Irish Companies (Amendment) Act 1986 in respect of documents required to be attached to the annual returns for such companies.

All Notes issued under the Programme will be irrevocably and unconditionally guaranteed by Imperial Tobacco as described in the Trust Deed. The guarantee is an unsecured, unsubordinated obligation of Imperial Tobacco, guaranteeing all monies due under the Notes.

Imperial Tobacco Limited

Imperial Tobacco Limited ("ITL") was incorporated as a private company with limited liability under the laws of England and Wales on 1st November 1984. Its registered office is at 121 Winterstoke Road, Bristol BS3 2LL, England (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 Tobacco. As at the date of this Prospectus, it has issued share capital of £18,831,139 comprising 18,831,139 ordinary shares of £1 each.

The principal activity of ITL, as the Group's main U.K. operating subsidiary, is the manufacture, marketing and sale of tobacco and tobacco-related products. ITL is also a holding company and an intermediate parent company for all of the Group's subsidiaries except Imperial Finance, Imperial Finance France, Imperial Tobacco Holdings (2007) Limited and Imperial Tobacco Holdings Limited.

The Directors and Company Secretary of ITL are as follows:

Name	Title
Alison J Cooper	Director
Oliver R Tant	Director
Nicholas J Keveth	Director
David I Resnekov	Director
John M Downing	Company Secretary

The business address of the Directors is 121 Winterstoke Road, Bristol BS3 2LL, England. Three of the current Directors hold external positions outside the Group as follows: Alison Cooper is a Non-Executive Director of Inchcape PLC, Oliver R Tant is a Director of The Copse House Cider Company Ltd, a Director of Landshire Estates Ltd, a Director of Landshire Cider Ltd, a Director of Millfield, a member of the Board of Future Fuel No. 1 LLP and a member of the Board of Cobalt Data Centre 2 LLP. David Resnekov is a Director of Longacres Management Company (Bristol) Limited.

There are no existing or potential conflicts of interest between any duties to ITL of the Directors and/or their private interests and other duties.

All Notes issued under the Programme will be irrevocably and unconditionally guaranteed by way of an amended and restated deed of guarantee dated 6 February 2015 by ITL (the "Deed of Guarantee"). The guarantee is an unsecured, unsubordinated obligation of ITL, guaranteeing all monies due under the Notes. The Deed of Guarantee may be terminated at the option of ITL if each credit rating agency which ascribes a solicited long-term credit rating to Notes issued under the Programme confirms in writing to the Trustee that such Notes will carry the same credit rating as the solicited long-term corporate credit rating ascribed to the Group, without the benefit of any guarantee, indemnity or similar arrangement from ITL or any other entity other than the Guarantor.

The Acquisition

Introduction

On 15th July 2014, Imperial Tobacco announced that it and its wholly owned subsidiary, ITG Brands, had entered into an Asset Purchase Agreement with Reynolds for the acquisition of certain brands and assets currently owned by the Reynolds Group and the Lorillard Group, including the U.S. cigarette brands *Winston*, *Maverick*, *Kool* and *Salem*, and the U.S. and international e-cigarette brand *blu*, plus the national sales force, offices and production facilities currently owned by Lorillard. The Acquired Tobacco Cigarette Brands are to be acquired without historic product liabilities following the proposed acquisition of Lorillard by Reynolds. Under the terms of the Asset Purchase Agreement, ITG Brands will pay total cash consideration of U.S.$7.056 billion (approximately £4.2 billion)[2].

The Acquisition was conditional on, among other things, approval of Imperial Tobacco's shareholders being given. Accordingly, a general meeting was held on 28th January 2015 where an ordinary resolution approving the Acquisition was duly passed on a poll, with 99.97 per cent. of votes in favour.

Acquisition rationale

With total acquisitions of over £17 billion since listing on the London Stock Exchange in 1996, Imperial Tobacco has a long track record of successful acquisitions which have expanded the geographic reach and product offerings of the Group.

This investment in the U.S., one of Imperial Tobacco's key Growth Markets, provides an opportunity to transform Imperial Tobacco's presence in the world's largest tobacco profit pool (excluding China). Imperial Tobacco believes that the Acquisition will enhance the Group's product portfolio through the addition of tobacco brands which, despite being relatively unsupported in recent years, continue to demonstrate strong inherent brand equity with consumers. In addition, the acquisition of an established and experienced sales force, national distribution capabilities and a respected management team, will transform the scale and presence of the U.S. business, enabling Imperial Tobacco to become a stronger and more effective competitor.

Information on the U.S. cigarette market

The U.S. cigarette market is the third largest in the world by volume (excluding China) with the latest market volume data for the 12 months to the end of September 2014 indicating a total U.S. market size of around 266 billion cigarettes. In profit terms, the U.S. market is the largest in the world (excluding China), accounting for up to 25 per cent. of world cigarette profits (excluding China). Estimated total profits of the cigarette industry in the U.S. for calendar year 2014 are expected to be in excess of U.S.$15 billion based in part on net sales for the 12 months to the end of September 2014 of over U.S.$33 billion.

Although the U.S. cigarette market is in modest volume decline (estimated 4.2 per cent. moving annual total to September 2014), the U.S. profit pool has grown by an estimated average of 4.5 per cent. each year over the last ten years. This has been driven in part by cost savings and in part by price increases, reflecting the affordability of cigarettes in the U.S. market relative to local purchasing power. The U.S. regulatory environment has tended to be relatively stable. The FDA has historically adopted a largely scientific and evidence based approach to the evolution of policy, driving a measured approach to regulatory change.

[2] Conversion rate from U.S.$ to £ in this document are at an exchange rate of U.S.$1.70:£1 being the rate of exchange as at 15th July 2014.

Information on the Acquired Assets

Overview

On completion of the Acquisition, Imperial Tobacco will acquire:

- U.S. rights in the *Winston*, *Kool* and *Salem* cigarette brands, currently owned by the Reynolds Group (the Winston cigarette brand is owned by Japan Tobacco Inc. outside of the U.S.);
- U.S. rights in the *Maverick* cigarette brand, currently owned by the Lorillard Group;
- all rights, both in the U.S. and internationally, in the e-cigarette brand *blu* as owned by the Lorillard Group and its existing e-cigarette operations in the U.S. and U.K.; and
- the Lorillard Group's manufacturing facilities at Greensboro, North Carolina, U.S., and other commercial infrastructure currently owned by the Lorillard Group, along with the majority of the national sales force of the Lorillard Group.

Further details on the Acquired Assets are set out below.

Cigarette Brands

Winston is currently the number seven brand in the U.S. with around 2.1 per cent. share of the U.S. market. Market research in the U.S. suggests that it retains strong brand awareness and consumer resonance notwithstanding that it has not been one of Reynolds' key focus brands, and has had very limited investment for a number of years.

The States in which *Winston* is strongest are largely those which have the most material volumes of cigarette sales in the U.S. tobacco market and the majority of the States in which Winston's market share exceeds its national average are in the top 20 States by volume of cigarette sales.

Maverick is a discount brand with around 2.0 per cent. share of the U.S. market, though it is significantly stronger than this in several key volume States and has grown from a market share of around 0.3 per cent. in 2008.

Kool is a menthol brand and represents around 1.8 per cent. of the U.S. market. Although Reynolds refined its brand portfolio during 2008 and reclassified *Kool* (which had a market share of 3.1 per cent. in 2007) from a growth brand to a support brand, it has a generally very loyal base of core consumers which is reflected in its current share of the market.

Salem is also a menthol brand with around 1.2 per cent. U.S. market share.

All of these cigarette brands are to be acquired without historic product liabilities. An indemnity in respect of such liabilities will also be provided by Reynolds under the terms of the Acquisition.

E-Cigarettes

blu is a leading e-cigarette brand in the U.S., generating U.S.$202 million net revenue in aggregate sales in the U.S. and the U.K. for the 12 months ended 30th September 2014. The e-cigarette market has been growing strongly in the U.S. in recent years with the market more than doubling every year since 2009. The e-vapour market, of which the e-cigarette market forms a part, is now estimated to exceed U.S.$2.5 billion in total, including a growing online marketplace.

Other Assets

In addition to the portfolio of Acquired Brands, further assets to be acquired include the Lorillard Group's manufacturing facilities (capacity of approximately 50 billion cigarettes per annum) and offices at Greensboro, North Carolina in addition to the majority of the sales force and commercial infrastructure of the Lorillard Group. As of 31st December 2013, the Lorillard Group had approximately 2,900 full-time employees.

Financial Information

Historically, the *Winston*, *Kool* and *Salem* brands (and their related business operations) have been, and until the day of completion of the Merger will continue to be, owned and managed by the Reynolds Group, and the *Maverick* and *blu* brands (and their related business operations) have been, and until the day of completion of the Merger will continue to be, owned and managed by the Lorillard Group. Accordingly, the historical financial information incorporated by reference in this Prospectus is presented in two separate financial track records for each of the Reynolds Business and the Lorillard Business as set out below:

(a) the Reynolds Business Historical Financial Information reflects the assets, liabilities, revenues and expenses directly attributed to the Acquired Assets that are owned by, or relate to, the Reynolds Group as at the date of this Prospectus; and

(b) the Lorillard Business Historical Financial Information reflects: (i) the assets, liabilities, revenues and expenses attributed to the Acquired Assets that are owned by, or relate to, the Lorillard Group as at the date of this Prospectus; and (ii) the revenue earned and expenses incurred by the Lorillard Group on the other Lorillard brands which will be manufactured for the Reynolds Group under a reciprocal manufacturing agreement.

Additionally, pro forma financial information illustrating the impact of the Acquisition on Imperial Tobacco's latest financial information is included at the end of this Prospectus on pages F-28 to F-41. This incorporates a reconciliation of operating profit to adjusted EBITDA, including an explanation of certain non-recurring items.

The brands that are the subject of the Acquisition had pro forma combined net revenue of U.S.$2.0 billion (£1.3 billion), pro forma combined brand contribution of U.S.$1.1 billion (£0.7 billion), pro forma combined adjusted earnings before interest, taxes, depreciation and amortisation of U.S.$0.7 billion (£0.5 billion) and pro forma combined operating profit of U.S.$0.6 billion (£0.4 billion). As set out in the pro forma information included in this Prospectus, the book value of the gross assets that are the subject of the Acquisition was approximately U.S.$0.7 billion (£0.5 billion) as at 30th September 2014 (which amount excludes tax assets and current assets which are not being acquired as part of the Acquisition).

In line with the Group's expectations at the time of its announcement in July 2014, the financial performance of the Acquired Brands has declined slightly during 2014, with combined adjusted EBITDA for the 12 months to September 2014 of U.S.$0.7 billion, compared to the U.S.$0.8 billion which was previously disclosed, and which was based on the historical financial information for the acquired assets for the 12 months to December 2013.

This reflects continued gradual decline in combined market share of the *Winston*, *Salem* and *Kool* brands, costs associated with launching the *blu* brand in the U.K in the second quarter of 2014, and the negative impact on *blu* of competitors' new product launches in the U.S., which have been supported by aggressive promotional programmes.

Background to and reasons for the Acquisition

Since listing on the London Stock Exchange in 1996, Imperial Tobacco has established a track record for acquiring and successfully integrating businesses, expanding its geographic reach, driving cost efficiencies, building brand equity and enhancing earnings.

The Board believes that the Acquisition represents a significant opportunity to strengthen the Group's product portfolio, build a competitive position in a key Growth Market and further enhance the sustainability of its earnings and cash flow. The Acquisition:

- is expected to generate a return on invested capital of over 10 per cent., well in excess of Imperial Tobacco's weighted average cost of capital in the first full financial year following completion of the Acquisition; and
- is expected to be significantly earnings enhancing in the first full financial year following completion of the Acquisition.

In addition, the Board believes that the Acquisition will be transformational for its U.S. business and e-cigarette business by:

- enhancing its portfolio of tobacco brands in the U.S. which, with a greater share of the market, makes Imperial Tobacco more important to retailers and more appealing to consumers;
- providing the opportunity for leadership in e-cigarettes, and for Imperial Tobacco to combine *blu* with the Fontem Ventures category know-how to allow it to explore international growth opportunities as the market develops; and
- enhancing the U.S. management team, sales force capability and wider infrastructure, allowing Imperial Tobacco to benefit from the best of both businesses.

Stronger U.S. competitor

The addition of *Winston*, *Maverick*, *Kool* and *Salem* will strengthen Imperial Tobacco's existing U.S. portfolio, which currently accounts for around 3 per cent. of the U.S. market share, transforming the Group into a major U.S. competitor with a total market share of approximately 10 per cent.

When combined with *blu*, a leading brand in the U.S. in the developing e-cigarette category, the enlarged U.S. business will become increasingly important to wholesalers and retailers. The board believes that a respected sales team with a proven track record will enable broader coverage of customers with more sales visits, space on shelf, merchandising and point of sale visibility, helping to grow Imperial Tobacco's presence and influence within key retail and distribution accounts.

A key attraction of the Acquisition is that it will enable the Group to move from a focused presence in 19 States to a material presence across the whole of the U.S. Following completion of the Acquisition, Imperial Tobacco will have a national operation across the U.S. which will significantly improve its ability to compete and help realise its ambitions to grow.

Stronger capabilities and platform for growth

Martin Orlowsky, previously Chairman, President and CEO of Lorillard, is employed by Imperial Tobacco as Executive Chairman Designate of its enlarged U.S. business and reports to Imperial Tobacco Chief Executive Alison Cooper. He has an outstanding reputation in the industry from his highly successful track record at Lorillard. Prior to completion of the Acquisition his focus will continue to be on preparing the integration plan and on planning for the implementation of Imperial Tobacco's future strategy for the enlarged U.S. business.

In addition to acquiring brands, Imperial Tobacco will also acquire the vast majority of the former Lorillard Group sales force, who have a proven track record of success and a deep knowledge of brands and customers. Their experience, combined with a renewed focus on a portfolio of what are inherently strong, but historically underinvested brands, will create a stronger platform for growth.

Expected synergies

In combining the assets and resources of the existing Commonwealth-Altadis, Inc. business with those acquired as part of the Acquisition, Imperial Tobacco expects to realise modest synergies and its intention is to reinvest the savings from any such efficiencies to support the growth of the Acquired Brands.

Strategy for the enlarged U.S. business

Imperial Tobacco has a clearly defined strategy to invest in Growth Markets, being those markets where it can grow its share of the available profit pool. The U.S. is one of Imperial Tobacco's key Growth Markets given the size and growth of its profit pool and its under-representation in the market. Imperial Tobacco has a clear growth strategy for the Acquired Brands and its existing U.S. business which is set out below. In line with its prioritisation of Growth Brands throughout the rest of the Group it is anticipated that *Winston* and

blu will be the main focus for Imperial Tobacco's investment in the U.S. *Maverick*, *Kool* and its existing *USA Gold* brand will provide strong secondary support on a State-by-State basis.

- *Winston* will be the main focus of the strategy for Imperial Tobacco's U.S. portfolio. Research in the U.S. has reinforced Imperial Tobacco's confidence that *Winston* can be reinvigorated. It is a leading global brand owned by Japan Tobacco Inc. outside of the U.S. (global no.2 (excluding China)) which has strong inherent brand equity in the U.S. and has previously demonstrated its capability to grow when supported by increased investment. Imperial Tobacco plans to invest significantly in *Winston* and believes this investment and focus can unlock its inherent brand potential within the U.S. market.
- *blu* will be the focus of the brand portfolio in the e-cigarette segment as a leading e-cigarette brand in the U.S. In addition, the combination of the strong brand equity and technology platform of *blu* with the know-how and category expertise of Imperial Tobacco's subsidiary Fontem Ventures will provide a platform for innovation. The e-cigarette market is still in an early stage of development, with considerable consumer interest suggesting opportunities for stronger branding and improved technology. Imperial Tobacco will therefore seek to build upon this platform, developing an already well established U.S. consumer proposition and exploring opportunities for growth in international markets.
- *Maverick* will continue to be a focus, particularly in certain key volume States, in the discount segment of the market.
- *Kool*, an exclusively menthol brand with distinct regional strength, will benefit from investment on a State-by-State basis to build on its existing equity in States where there is a strong menthol demand or where the Group has identified strong potential for growth.
- Imperial Tobacco's existing *USA Gold* brand will continue to be a focus in its key volume States.
- The other brands in the portfolio, including *Salem*, will largely be managed to maximise cash returns.

Imperial Tobacco believes the implementation of this strategy for the enlarged U.S. business will succeed in creating significant value for shareholders.

Principal terms of the Acquisition

Structure of the Acquisition

On 15th July 2014, ITG Brands, Imperial Tobacco and Reynolds entered into the Asset Purchase Agreement in respect of the Acquisition, pursuant to which the parties have agreed, on the terms and subject to the conditions of that agreement, that ITG Brands (or another member of the Group) will acquire the Acquired Assets.

The Acquired Assets are to be acquired immediately following the completion of the proposed Merger of Lantern Acquisition Co (a subsidiary of Reynolds) and Lorillard.

ITG Brands and Reynolds, *inter alia*, have entered or will enter into certain additional ancillary agreements as further described below.

Asset Purchase Agreement

The key terms of the Asset Purchase Agreement are summarised below.

Scope of Acquired Assets and business

Subject to the terms and conditions of the Asset Purchase Agreement, the assets, rights and obligations to be transferred to ITG Brands will include:

(i) all intellectual property rights in relation to the *Winston*, *Kool*, *Salem* and *Maverick* brands in the U.S., and all assets, properties, licences, rights, obligations and liabilities primarily related to the distribution of the *Winston*, *Kool* and *Salem* brands in Puerto Rico;

(ii) the *blu* brand business, including all associated assets, properties, licenses, rights, obligations and liabilities;

(iii) a percentage of the tobacco leaf inventory of the Lorillard Group representing the *Maverick* brand, and a percentage of the tobacco leaf inventory of the Reynolds Group representing the *Winston*, *Kool* and *Salem* brands, as well as associated work-in-process and inventory relating to the Acquired Assets; and

(iv) the Lorillard Group's manufacturing facilities and offices in Greensboro, North Carolina, leaf storage facility in Danville, Virginia, sales and other workforces and related plant and infrastructure, certain of which will be transferred to ITG Brands pursuant to the Transfer Agreement as defined and further described below.

Reynolds has also agreed to transfer to ITG Brands for no additional consideration the cigarette brand known as *Doral* in the event that aggregate market share in the U.S. of *Winston*, *Kool* and *Salem* for the three months ended prior to the month in which completion of the Acquisition occurs falls below 4.9 per cent. (although this is not expected to be the case on the basis of current three-month share data).

Consideration

The total cash consideration payable by ITG Brands to Reynolds will be U.S.$7.056 billion. The present value of the expected U.S. tax savings from the step-up in amortisation of intangibles is approximately U.S.$1.5 billion, giving a net consideration of approximately U.S.$5.6 billion.

Overview of key terms of the Asset Purchase Agreement

The *Winston*, *Kool*, *Salem* and *Maverick* Brands are to be acquired without historic product liabilities. An indemnity against such liabilities has been provided by Reynolds in the Asset Purchase Agreement to take effect from completion of the Acquisition. RJR Tobacco, a subsidiary of Reynolds, and Lorillard Tobacco, a subsidiary of Lorillard, are parties to settlements with States, including the MSA and other State settlements, which resolved actions that the States had brought against Philip Morris Incorporated (as predecessor to Philip Morris USA, Inc.), RJR Tobacco, and Lorillard Tobacco, among others, seeking to recover alleged health care costs related to smoking. Following completion of the Acquisition, ITG Brands expects, subject to certain exceptions, to make similar payments on future cigarette sales under the MSA and other State settlements in respect of the Acquired Tobacco Cigarette Brands as RJR Tobacco and Lorillard Tobacco now pay. ITG Brands and its affiliates (which had previously joined the MSA although they had not been party to the original action by the States) expect to retain the "grandfathered share benefit" under the MSA for the current U.S. brands, under which they make no payments for certain market shares existing prior to the time they joined the MSA.

Completion of the Acquisition is conditional upon the fulfilment (or, where applicable, waiver) of the conditions set out in the Asset Purchase Agreement, which include, amongst other things:

(a) expiration or early termination of the waiting period under the HSR Act with respect to the Merger and, if applicable, the Acquisition, and, following Reynolds' and Lorillard's shareholder approval, the subsequent completion of the Merger; and

(b) the absence of any law or governmental order that prohibits or materially restrains the sale or transfer of the Acquired Assets or the other transactions contemplated by the Asset Purchase Agreement.

Subject to the terms and conditions set out in the Asset Purchase Agreement, ITG Brands and Reynolds have agreed to cooperate with each other and use their reasonable best efforts to obtain all required authorisations, consents, orders and approvals in connection with the Acquisition and to reflect the agreed treatment of the Acquired Tobacco Cigarette Brands both before and after completion of the Acquisition.

The Asset Purchase Agreement contains various representations and warranties customary for a U.S. acquisition of the size and nature of the Acquisition.

The Asset Purchase Agreement also contains various other covenants customary for a U.S. acquisition of the size and nature of the Acquisition. Such covenants include cooperation with respect to receipt of all regulatory approvals, conducting the business relating to the Acquired Brands in the ordinary course of Reynolds' business, and for Reynolds to ensure restrictions on Lorillard's business operations, in each case as applicable in relation to the Acquired Assets between the signing of the Asset Purchase Agreement and the completion of the Acquisition.

The Asset Purchase Agreement further provides for the payment of termination fees by either ITG Brands or Reynolds upon a termination of the Asset Purchase Agreement in certain circumstances, including: (a) a termination fee of U.S.$210 million payable by Reynolds to ITG Brands in certain circumstances upon a termination of the Merger Agreement that results in the receipt by Reynolds of a termination fee under the Merger Agreement; and (b) a termination fee of U.S.$210 million payable by ITG Brands to Reynolds in certain circumstances in the event that the Imperial Board ceases to recommend the Acquisition to Shareholders or fails to include such recommendation in the Circular.

Transfer Agreement

On 15th July 2014, ITG Brands and Lorillard entered into a transfer agreement (the "Transfer Agreement"), pursuant to which, immediately prior to the completion of the Merger, Lorillard will transfer specified Acquired Assets, including certain real estate assets, to ITG Brands and ITG Brands will assume specified liabilities from Lorillard, including under certain employee benefit plans. Such transfer of assets and assumption of liabilities under the Transfer Agreement is conditional on the satisfaction (or, where applicable, waiver) of the conditions to the Merger Agreement and the Asset Purchase Agreement.

Ancillary agreements

On 15th July 2014, ITG Brands and Reynolds entered into a route to market agreement pursuant to which they agreed that they will comply with certain obligations relating to the shelf space and wholesale channels in respect of the Acquired Tobacco Cigarette Brands before and after completion of the Acquisition.

Upon completion of the Acquisition, ITG Brands and RJR Tobacco will enter into the Reciprocal Manufacturing Agreement pursuant to which, for a transitional period, RJR Tobacco will exclusively manufacture and supply ITG Brands' requirements for *Winston*, *Kool* and *Salem* brand products and, in certain circumstances, Doral brand products, and ITG Brands will exclusively manufacture and supply RJR Tobacco's requirements for Newport brand products.

Integration plan and employees

Imperial Tobacco has a strong track record of successfully integrating acquired businesses into the Group, and building on this previous experience it has put in place senior integration resources designed to ensure that the resulting enlarged U.S. business has a strong management team and draws on the strengths of both the Group's existing U.S. business and the Acquired Assets.

Martin Orlowsky is employed by Imperial Tobacco as Executive Chairman Designate of the enlarged U.S. business. Prior to completion of the Acquisition his focus will continue to be on preparing the integration plan and on planning for the implementation of Imperial Tobacco's future strategy for the enlarged U.S. business. He will assume his appointed role on completion of the Acquisition to work on:

- the integration of the Acquired Assets with Imperial Tobacco's existing U.S. business;
- the delivery of the interim arrangements covering supply and route to market with the Reynolds Group; and
- the implementation of the portfolio strategy for Imperial Tobacco's enlarged U.S. business.

For the period up to completion of the Acquisition, interim arrangements will allow ITG Brands access to Lorillard's and Reynolds' management while preserving independence and confidentiality between the relevant parties.

As referred to above, once the Acquisition is completed, a transition period will commence during which RJR Tobacco will contract manufacture *Winston*, *Kool* and *Salem* and, in certain circumstances, *Doral* for ITG Brands and ITG Brands will contract manufacture *Newport* for RJR Tobacco and the parties will comply with certain obligations relating to the shelf space and wholesale channel in respect of the Acquired Tobacco Cigarette Brands.

Financing of the Acquisition

On 15th July 2014 Imperial Tobacco entered into committed bank facilities of £7.8 billion (equivalent)[1] comprising term loan and revolving credit facilities pursuant to the Facilities Agreement. The aggregate principal amount of the term facilities is U.S.$7.1 billion, through which Imperial Tobacco proposes to finance the Acquisition. The term loan facilities under the Facilities Agreement are split into three tranches and have a final maturity date of one year (subject to an extension option to extend the final maturity date to two years at Imperial Tobacco's option), three years and five years respectively after the estimated date of completion of the Acquisition (or after the anniversary of the signing of the Facilities Agreement if sooner).

The revolving credit facilities under the Facilities Agreement may be applied towards refinancing certain of Imperial Tobacco's existing bank facilities and indebtedness under debt capital markets issuances, to provide working capital and to finance payment of fees and expenses related to the Acquisition. The revolving credit facilities under the Facilities Agreement are split into two tranches and have a respective final maturity date of three years (following the exercise of three six month extension periods by Imperial Tobacco at its option) and five years (extendable beyond this period for a maximum of two years at the lenders' option) after the date of the Facilities Agreement. Primary syndication of the Facilities Agreement was completed on 29th August 2014 with the syndicate then comprising 17 lenders.

Imperial Tobacco's financing requirements over the period to 31st March 2016 have been fully underwritten as part of the overall financing made available under the Facilities Agreement.

In order to accelerate the pace of debt repayment, Imperial Tobacco has suspended its share buy-back programme (approximately 14.2 million shares were bought back by Imperial Tobacco in the year ended 30th September 2014 at a cost of approximately £341 million). In addition, the rating agencies (Standard & Poor's, Moody's and Fitch) were consulted on the financial parameters arising from the Acquisition prior to announcement of the Acquisition and they have all since publicly announced that they expect that Imperial Tobacco's investment grade credit ratings will be maintained following completion of the Acquisition.

[1] Converted at exchange rates of U.S.$1.70: £1 and A1.25: £1, being the exchange rates used in the announcement made on 15th July 2014.

Taxation

United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law as applied in England and Wales and published United Kingdom HM Revenue and Customs ("HMRC") practice (which may not be binding on HMRC) relating to the deduction of tax from interest. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes or Coupons. They do not necessarily apply where the income is deemed for tax purposes to be the income of any person other than the holder of the Note or Coupon. They relate only to the position of persons who are the absolute beneficial owners of the Notes and Coupons and may not apply to certain classes of persons such as dealers or certain professional investors. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes may affect the tax treatment. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. The following is a general guide. It is not intended to be exhaustive and should be treated with appropriate caution. Any Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who are in doubt as to their personal tax position should consult their professional advisers.

Interest on the Notes

While the Notes are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007, payments of interest that has a source in the United Kingdom by an Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. 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 Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes that has a source in the United Kingdom may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the relevant Issuer reasonably believes that the beneficial owner is a United Kingdom resident company or non-United Kingdom resident company within the charge to United Kingdom 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 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.

If the Notes carry a right to interest and have a maturity date less than one year from the date of issue (and are not issued with a maturity date pursuant to any arrangement, the effect of which is to render such Notes part of a borrowing intended to be capable of remaining outstanding for one year or more), payments of interest that has a source in the United Kingdom may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether or not the Notes are listed.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs under domestic law or to any direction from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. HMRC can issue a notice to the relevant Issuer to pay interest to the Noteholder without deduction of tax (or interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Payments of interest on the Notes that have a source outside the United Kingdom may be made without withholding or deduction for or on account of United Kingdom income tax.

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes), such payments may be subject to

withholding on account of United Kingdom tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for the other exemptions from the obligation to withhold tax described above.

In certain circumstances HMRC has powers to obtain information and documents relating to the Notes including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payment derived from the Notes. This may include the value of the Notes, details of the holders or beneficial owners of the Notes, the persons for whom the Notes are held and details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by a range of persons, including the holders of the Notes, persons who effect or are party to transactions relating to the Notes on behalf of others and certain registrars or administrators of such transactions, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom payments derived from the Notes are made. In certain circumstances, the information obtained by HM Revenue & Customs may be exchanged with tax authorities in other countries.

French Taxation

The following is an overview addressing certain withholding tax considerations in France relating to the holding of Notes issued by Imperial Finance France. This summary is based on the tax laws and regulations of France, as currently in force and applied by the French tax authorities, all of which are subject to change or to different interpretation. This summary is for general information and does not purport to address all French tax considerations that may be relevant to specific Noteholders in light of their particular situation. Persons considering the purchase of Notes should consult their own tax advisers as to French tax considerations relating to the purchase, ownership and disposition of Notes in light of their particular situation.

Savings Directive

The Directive 2003/48/EC has been implemented in French law by Article 242 ter of the French *Code général des impôts* and Articles 49 I ter to 49 I sexies of the Schedule III to French *Code général des impôts*, which impose on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Withholding Tax

The following may be relevant to Noteholders who are not affiliated with Imperial Finance France, including within the meaning of Article 39, 12 of the French Code général des impôts.

Following the introduction of the French *loi de finances rectificative pour 2009 n° 3* (n° 2009-1674 dated 30th December 2009) (the "Law"), payments of interest and other revenues made by Imperial Finance France with respect to the Notes will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "Non-Cooperative State"). If such payments under the Notes are made in a Non-Cooperative State, a 75 per cent. withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts.*

Furthermore, in application of Article 238 A of the French *Code général des impôts*, interest and other revenues on such Notes are not deductible from Imperial Finance France's taxable income, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State (the "Deductibility Exclusion"). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Articles 109 *et seq.* of the French

Code général des impôts, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* 2 of the French *Code général des impôts*, at a rate of 30 per cent. or 75 per cent., subject to the more favourable provisions of any applicable double tax treaty, if any.

Notwithstanding the foregoing, the Law provides that neither the 75 per cent. withholding tax nor the Deductibility Exclusion will apply in respect of a particular issue of the Notes if Imperial Finance France can prove that the principal purpose and effect of such issue of Notes were not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "Exception"). Pursuant to the French tax administrative guidelines, the *Bulletins Officiels des Finances Publiques-Impôts* BOI-INT-DG-20-50-20140211 n°550 and 990, BOI-RPPM-RCM-30-10-20-40-20140211 n°70, BOI-IR-DOMIC-10-20-20-60-20140211 n°10 and BOI-ANNX-000364-20120912 n°20, an issue of Notes will benefit from the Exception without Imperial Finance France having to provide any proof of the purpose and effect of such issue of the Notes if such Notes are:

(i) offered by means of a public offer within the meaning of Article L. 411-1 of the French *Code monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

(ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(iii) admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositaries or operators provided that such depositary or operator is not located in a Non-Cooperative State.

Payments made to individuals who are fiscally domiciled in France

Pursuant to Article 125 A of the French *Code général des impôts*, subject to certain limited exceptions, interest and other similar revenues received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France from a paying agent located in France are subject to a 24 per cent. advance payment tax (payable by way of withholding), which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of 15.5 per cent. on interest and other similar revenues paid to individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

European Union Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC (referred to in the following paragraph as the "Directive") on the taxation of savings income, EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in its jurisdiction to or for the benefit of an individual resident in another EU Member State or to certain limited types of entities established in that other EU Member State.

On 24th March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. EU Member States are required to apply these new requirements from 1st January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The amending Directive will also expand the circumstances in which payments must be reported or paid subject to withholding. This approach may apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "U.S. Account" of the relevant Issuer (a "Recalcitrant Holder"). The Issuers and the Guarantor may be classified as an FFIs.

The new withholding regime is now in effect for payments from sources within the U.S. and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1st January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The U.S. and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the U.S., an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The U.S. has entered into agreements with the United Kingdom (the "U.S.-U.K. IGA") and France (the "U.S.-France IGA") based largely on the Model 1 IGA.

If the Issuers and Guarantor are treated as Reporting FIs pursuant to the U.S.-U.K. IGA and U.S.-France IGA, as applicable, they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuers and Guarantor will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuers, Guarantor and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "ICSDs"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuers, the Guarantor, any paying agent and the Common Depositary/Common

Safekeeper, given that each of the entities in the payment chain between the relevant Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ISCDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, Definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.

The proposed financial transactions tax ("FTT")

On 14th February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1st January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The Commission's Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional European Union Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Subscription and Sale

Summary of Programme Agreement

Subject to the terms and on the conditions contained in an amended and restated programme agreement dated 6 February 2015 (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "Programme Agreement") between Imperial Finance, Imperial Finance France, the Guarantor, the Dealers and the Arranger, the Notes will be offered on a continuous basis by the relevant Issuer to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Dealers for certain of their activities in connection with the Programme.

The relevant Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe for Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the U.S. or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has agreed that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the relevant Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the U.S. or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer 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 U.S. or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented, warranted and undertaken that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes

which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- the expression "Prospectus Directive" means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 relevant Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "FIEA"). Accordingly each Dealer has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell Notes in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)

except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Prospectus or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Financial Services Act") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "Issuers Regulation"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act") and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

France

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers or sales and distributions have been and will be made only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

General

Each Dealer has acknowledged that no representation is made by the relevant Issuer, the Guarantor or any Dealer that any action has been or will be taken in any jurisdiction by the relevant Issuer, the Guarantor or any Dealer that would permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Each Dealer will comply with all applicable securities laws and regulations (to the best of its knowledge after due and careful enquiry) in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material, in all cases at its own expense.

Form of Final Terms

[IMPERIAL TOBACCO FINANCE PLC] [IMPERIAL TOBACCO FINANCE FRANCE SAS]

issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Imperial Tobacco Group PLC
irrevocably and unconditionally
under the €15,000,000,000 Debt Issuance Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [ ] [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "Prospectus"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published via the regulatory news service maintained by the London Stock Exchange *(www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)*.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Prospectus dated [ ] [and the supplement to it dated [ ]] which are incorporated by reference in the Prospectus dated [ ]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated [ ], [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "Prospectus"), including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published via the regulatory news service maintained by the London Stock Exchange *(www.londonstockexchange.com/exchange/news/market-news/market-news-home.html)*.]

1.	(i)	Issuer:	[Imperial Tobacco Finance PLC] [Imperial Tobacco Finance France SAS]
	(ii)	Guarantor:	Imperial Tobacco Group PLC
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on the [Issue Date/exchange of Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or on about [ ]] [Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]

6.	(i)	Specified Denominations:	[ ]
	(ii)	Calculation Amount:	[ ]
7.	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[/Issue Date/Not Applicable]
8.	Maturity Date:		[ ] [Interest Payment Date falling in or nearest to [ ]]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[ ] +/- [ ] per cent. Floating Rate] [Zero Coupon] (see paragraph [14/15/16] below)
10.	Redemption[/Payment] Basis:		Subject to any purchase or cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis:		[/Not Applicable]
12.	Put/Call Options:		[Issuer Call] [Issuer Make-Whole Call] [General Investor Put] [Change of Control Investor Put] [(see paragraph [18/19/20/21 below)]
13.	Date [Board] approval for issuance of Notes [and Guarantee] obtained.		[ ] [and [ ], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable]
	(i)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date
	(iii)	Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(iv)	Broken Amount(s):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]
	(v)	Day Count Fraction:	[30/360][Actual/Actual (ICMA)]
	(vi)	Determination Dates:	[[ ] in each year] [Not Applicable]
	(vii)	Step Up Ratings Change and Step Down Ratings Change:	[Applicable/Not Applicable]
		– Step Up Margin	[ ]

15.	Floating Rate Note Provisions	[Applicable/Not Applicable]
(i)	Interest Period(s)/Specified Interest Payment Dates:	[ ]
(ii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(iii)	Additional Business Centre(s):	[ ]
(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[ ]
(vi)	Screen Rate Determination:	
	– Reference Rate:	Reference Rate: [ ] month [LIBOR/EURIBOR]
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]
(vii)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(viii)	Margin(s):	[+/-][ ] per cent. per annum
(ix)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(x)	Minimum Rate of Interest:	[[ ] per cent. per annum/Not Applicable]
(xi)	Maximum Rate of Interest:	[[ ] per cent. per annum/Not Applicable]
(xii)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual (ICMA)]
(xiii)	Step Up Ratings Change and Step Down Ratings Change:	[Applicable/Not Applicable]
	– Step Up Margin	[ ]
16.	Zero Coupon Note Provisions	[Applicable/Not Applicable]
(i)	Amortisation Yield:	[ ] per cent. per annum

(ii)	Day Count Fraction [in relation to Early Redemption Amounts]:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 6(c) (Redemption for Taxation Reasons):	Minimum period: [ ] [30] days Maximum period: [ ] [60] days
18.	Issuer Call	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]/[Any date from and including [ ] to but excluding [ ]]/[Not Applicable]
(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount]/[Amortised Face Amount]]
(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[ ]
(b)	Maximum Redemption Amount:	[ ]
(iv)	Notice periods:	Minimum period: [ ] [15] days Maximum period: [ ] [30] days
19.	Issuer Make-Whole Call	[Applicable/Not Applicable]
[(i)	Sterling Make-Whole Redemption:	[Applicable/Applicable from and including [ ] to but excluding [ ]/Not Applicable]]
[(a)	Reference Bond:	[ ] [FA Selected Bond][Not Applicable]]
[(b)	Quotation Time:	[ ]]
[(c)	Redemption Margin:	[[ ] per cent./Not Applicable]]
[(d)	If redeemable in part:	
–	Minimum Redemption Amount:	[ ]
–	Maximum Redemption Amount:	[ ]]
[(e)	Notice Periods:	Minimum period: [ ] [15] days Maximum period: [ ] [30] days]
[(ii)	Non-Sterling Make-Whole Redemption:	[Applicable/Applicable from and including [ ] to but excluding [ ]/Not Applicable]]
[(a)	Reference Bond:	[ ] [FA Selected Bond][Not Applicable]]
[(b)	Quotation Time:	[ ]]
[(c)	Redemption Margin:	[[ ] per cent./Not Applicable]]
[(d)	If redeemable in part:	
–	Minimum Redemption Amount:	[ ]
–	Maximum Redemption Amount:	[ ]]

	[(e) Notice Periods:	Minimum period: [ ] [15] days Maximum period: [ ] [30] days]
20.	General Investor Put	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount:	[[ ] per Calculation Amount]/[Amortised Face Amount]
	(iii) Notice periods:	Minimum period: [ ] [15] days Maximum period: [ ] [30] days
21.	Change of Control Investor Put	[Applicable/Not Applicable]
	Optional Redemption Amount:	[[ ] per Calculation Amount]/[Amortised Face Amount]
22.	Final Redemption Amount	[ ] per Calculation Amount
23.	Early Redemption Amount	
	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[[ ] per Calculation Amount]/[Amortised Face Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[Bearer Notes:] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Registered Notes:] [Registered Global Note ([ ] nominal amount) registered in the name of a nominee for a common [depositary/safekeeper] for Euroclear and Clearstream, Luxembourg]
25.	New Global Notes:	[Yes] / [No]
26.	Additional Financial Centre(s):	[Not Applicable/[ ]]
27.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced inaccurate or misleading.].

Signed on behalf of [Imperial Tobacco Finance PLC] [Imperial Tobacco Finance France SAS]:

By: .....
Duly authorised

Signed on behalf of Imperial Tobacco Group PLC:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and admission to trading:	Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of the London Stock Exchange] and to be listed on the Official List of the U.K. Listing Authority with effect from [ ]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ] [and [ ] by [ ]]./[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [ ]] [The Notes are not rated]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, any may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.] [So far as the Issuer is aware, the following persons have an interest material to the issue/offer: [ ]]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)]	Reasons for the offer:	[ ]
[(ii)]	Estimated net proceeds:	[ ]
[(iii)]	Estimated total expenses:	[ ]

5. YIELD (*Fixed Rate Notes only)*

Indication of yield:	[ ] The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORICAL INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters]

7. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/[ ]]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[Not Applicable/[ ]]

8. U.S. SELLING RESTRICTIONS

U.S. Selling Restrictions:	[Reg S Compliance Category 2, [TEFRA D/TEFRA C/TEFRA not applicable]]

General Information

1. The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Programme on the Official List and admission of the Notes to trading on the Market will be granted on or around 6 February 2015. It is further expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction.

2. Imperial Finance, Imperial Finance France, the Guarantor and ITL have obtained all necessary consents, approvals and authorisations in the U.K. or France (as applicable) in connection with the issue and performance of the Notes and the guarantees relating to Notes issued under the Programme. The giving of the guarantees relating to Notes issued under the Programme by the Guarantor and ITL and the update of the Programme was authorised by a resolution of the Board of Directors of the Guarantor passed on 30th October 2014 and by resolutions of the Board of Directors of ITL passed on 29th January 2015. The update of the Programme and the issue of Notes under the Programme was authorised by a resolution of the Board of Directors of Imperial Finance passed on 29th January 2015. The accession of Imperial Finance France to the Programme and the issue of Notes under the Programme was authorised by a resolution of the sole shareholder of Imperial Finance France on 2nd February 2015.

3. There has been no significant change in the financial or trading position of Imperial Finance, the Guarantor, ITL, the Guarantor's subsidiaries or ITL's subsidiaries (which are included within the Group's subsidiaries) taken as a whole since 30th September 2014. There has been no significant change in the financial or trading position of Imperial Finance France since 30th September 2013. There has been no material adverse change in the prospects of Imperial Finance, the Guarantor or ITL since 30th September 2014. There has been no material adverse change in the prospects of Imperial Finance France since 30th September 2013.

4. Except as disclosed under the sub-heading "Litigation" on pages 92 to 96, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which Imperial Finance, Imperial Finance France, the Guarantor or ITL are aware during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of Imperial Finance, Imperial Finance France, the Guarantor, ITL or the Group.

5. Each permanent Global Note and Definitive Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any U.S. person who holds this obligation will be subject to limitations under the U.S. income tax laws, including the limitations provided in Sections 165(j)) and 1287(a) of the Internal Revenue Code".

6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms.

7. 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. The address of any alternative clearing system will be specified in the relevant Final Terms.

8. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions.

9. For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available in physical form, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of The Bank of New York Mellon, 1 Canada Square, London E14 5AL, England:

   9.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

   9.2 the Programme Agreement;

   9.3 the Articles of Association of Imperial Finance and the Guarantor;

   9.4 the constitutional documents (*statuts*) of Imperial Finance France;

   9.5 the published annual report and audited accounts of Imperial Finance for the two financial years most recently ended, the published annual report and audited accounts of Imperial Finance France for the two financial years most recently ended, the audited consolidated annual accounts of the Guarantor for the two years most recently ended and any subsequent interim financial statements of the Guarantor;

   9.6 each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);

   9.7 a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus;

   9.8 a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Official List and admitted to trading on the Market; and

   9.9 a copy of the amended and restated Deed of Guarantee dated 6 February 2015 by ITL.

   In addition, this Prospectus is also available at the website of the Regulatory News Service operated by the London Stock Exchange (*http//www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*).

10. Copies of the latest annual report and accounts of the Issuers and the Guarantor and the latest interim consolidated accounts of the Guarantor may be obtained, and copies of the Trust Deed (including the Guarantee) will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding.

11. PricewaterhouseCoopers LLP, Registered Auditors and Chartered Accountants (a member of the Institute of Chartered Accountants in England and Wales) of 31 Great George Street, Bristol BS1 5QD, England have audited, and rendered unqualified audit reports on:

   (i) the non-consolidated financial statements of Imperial Finance for the year ended 30th September 2013 and the year ended 30th September 2014;

   (ii) the consolidated financial statements of the Guarantor for the year ended 30th September 2013 and the year ended 30th September 2014; and

   (iii) the non-consolidated financial statements of ITL for the year ended 30th September 2013 and the year ended 30th September 2014.

12. PricewaterhouseCoopers Audit SA, 63 rue de Villiers, 92208 Neuilly-sur-Seine Cedex have audited and rendered unqualified audit reports on the statutory financial statements of Imperial Finance France for the year ended 30th September 2012 and the year ended 30th September 2013.

13. PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report on the unaudited proforma financial information set out on pages F68-F69, in the form and context in which it appears and has authorised the contents of that part of this Prospectus which comprise its report for the purposes of PR 5.5.4(R)(2)(f) of the Prospectus Rules.

Financial information in relation to Imperial Tobacco Finance France SAS

The following section contains an English translation of the audited non-consolidated annual financial statements of Imperial Tobacco Finance France SAS (previously known as Altadis Financial Services SAS) for the financial years ended 30th September 2013 and 30th September 2012, respectively, together in each case with the audit report thereon.

ALTADIS FINANCIAL SERVICES

AUDITOR'S REPORT ON ANNUAL ACCOUNTS

(Year ending 30 September 2013)

Statutory auditor's report on the financial statements
(For the year ended 30 September 2013)

The Issuers confirm that this is a translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users, and that the translations thereof are accurate. In case of a discrepancy between the original document and the English translation thereof, the original document will prevail. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report was prepared, and should be construed in accordance with, French law and professional auditing standards applicable in France.

To the Partners
ALTADIS FINANCIAL SERVICES
143, boulevard Romain Rolland
75014 Paris

In compliance with the assignment entrusted to us by your general assembly, we hereby report to you, for the year ended 30 September 2013 on:

- the audit of the accompanying financial statements of ALTADIS FINANCIAL SERVICES
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by General Manager *(la Gérance)*. Our role is to express an opinion on these financial statements based on our audit.

II - Justification of our assessments

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 30 September 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you that the assessments we made were related to the appropriateness of the accounting principles applied.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the General Manager, and in the documents addressed to the Partners with respect to the financial position and the financial statements.

Neuilly-sur-Seine, on 4 February, 2014

The statutory auditor

PricewaterhouseCoopers Audit

Camille Phelizon

ALTADIS FINANCIAL SERVICES
STATEMENT OF ACCOUNTS AT 30/09/2013

ASSETS	Gross amounts 30/09/2013	Depreciation & Reserves 30.09.2013	Net amounts 30/09/2013	Net amounts 30/09/2012
Intangibles				
Land				
Buildings				
Technical installations, materials, industrial tools				
Other intangibles				
Fixed assets in progress				
Pre-paids				
Total intangibles and tangibles	0	0	0	0
Holdings				
Receivables from controlled entities				
Other capitalised securities				
Loans				
Other long term investments				
- Dealers - Licensees (Stock credit)				
Total long term investments	0	0	0	0
Raw materials and supplies				
In course of production				
Semi-finished and finished products				
Merchandise				
Total stocks	0	0	0	0
Advances and pre-paid on orders	6 219		6 219	0
Licensees and franchisees delivery credit				
Other clients and related accounts				
Other operational receivables				
Miscellaneous receivables	1 869 691		1 869 691	2 075 643
Total receivables	**1 875 910**	0	**1 875 910**	**2 075 643**
Investment securities and similar receivables (excl. own shares)				
Treasury stock				
Financial instruments				
Latent charges on opening options				
Cash	46 493		46 493	12 091
Pre-paid expenses				
Transfers to be reclassified				
Expenses to be amortized				
Unrealised losses and gains on foreign exchange				
General total	**1 922 403**	**0**	**1 922 403**	**2 087 734**

ALTADIS FINANCIAL SERVICES
STATEMENT OF ACCOUNTS AT 30/09/2013

LIABILITIES	Gross amount 30/09/2013	Gross amount 30/09/2012
Capital	1 000 000	1 000 000
Paid-in capital (issues, mergers, contributions)		
Special re-evaluation reserve (Law of 29/12/76)		
Legal reserve	102 023	102 023
Non-available reserves		
Statutory and optional reserves		
Appropriated earnings from long term gains on assets		
Unappropriated earnings	811 580	893 094
Year result	-8 020	- 81 514
Advances on dividends		
Provision for investment (holding)		
Provision for price rise		
Excess tax depreciation		
Special reserve for assets restated over historical cost		
Total Equity	**1 905 583**	**1 913 603**
Provisions for contingencies		159 850
Provisions for taxes to be paid		
Provisions for charges		
Provisions for retirement, pensions and assimilated benefits		
Total provisions for contingencies and charges	**0**	**159 850**
Shareholder advances		
Loans and debts with credit houses		
Miscellaneous loans and debts		
Advances and down-payments on orders	16 820	14 280
Trade notes and accounts payable		
Tax and company debts		
Other operational debts		
Payables to fixed assets and accrued payables		
Tax debts		
Other miscellaneous debts		
Total debts	**16 820**	**14 280**
Financial instruments		
Latent income on opening options		
Prepaid income		
Charges payments		
Unrealised foreign exchange gains		
General total	**1 922 403**	**2 087 734**

ALTADIS FINANCIAL SERVICES
STATEMENT OF PROFIT AND LOSS AT 30/09/2013

Items	Sub-total	Total 30/09/2013	Total 30/09/2012
Operational income			
Sale of goods (1)			
Production sold (2)			
-of goods			
-of services			
Net turnover (1)+(2)			
Stored production			
Self- production			
Operating subsidies			
Recoveries of provisions and amortisations			
Other production income			
All production income		0	0
Operational charges			
Purchase costs of goods sold			
Stock variation			
Inventory purchases			
Raw materials			
Other procurement			
Stock variation			
Sub-contracting			
Materials, supplies not stocked			
Outside services		11 919	63 769
Outside staff			
Leasing			
Other outside services	11 627		
Upkeep and repairs			
Transport and travel			
Banking services	292		
Taxes, duties and assimilated payments			
Taxes and duties on remunerations			
Other taxes			
Staffing charges			
Salaries and wages			
Social Security charges			
Other staffing charges			
Depreciation expenses			
Depreciation on immobile assets			
Provisions on current assets			
Provisions for contingencies and charges			
Other operational charges			
Total operational charges		11 919	**63 769**
Operational result		**-11 919**	**- 63 769**

ALTADIS FINANCIAL SERVICES
STATEMENT OF PROFIT AND LOSS AT 30/09/2013

Items	Sub-total	Total 30/09/2013	Total 30/09/2012
Financial products			
Investment income			
Other interest, assimilated income	3 899		
Recovery on financial provisions	159 850		
Positive exchange differences			
Net income on VMP cessions			
Total financial income		**163 749**	**13 773**
Financial charges			
Financial provisions			
Interest and assimilated charges	159 850		
Negative exchange differences			
Net charges on VMP cessions			
Total financial charges		**159 850**	**31 518**
Financial result		**3 899**	**-17 745**
Result before tax		**-8 020**	**- 81 514**
Extraordinary income			
Income from the cession of shares			
Recovery of extraordinary provisions			
Other extraordinary income			
Total extraordinary income		0	0
Extraordinary charges			
Accounting value of assets ceded			
Regulatory provisions entry			
Tax-exempt depreciation allowances			
Extraordinary depreciation contribution			
Allowances for extraordinary provisions			
Other extraordinary charges			
Total extraordinary charges		0	0
Extraordinary result		0	0
Employee profit share			
Tax on profits			
Total income		163 749	13 773
Total charges		171 769	95 287
Year result		**-8 020**	**-81 514**

ALTADIS FINANCIAL SERVICES
APPENDIX TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2013
(AMOUNTS EXPRESSED IN MILLIONS OF EUROS)

1. **Accounting Principles and Methods**

1.1.- The Principles – A Recap
1.2. - Means and methods applied to the different items of the balance sheet and income statement
1.2.1. Debts and Receivables
1.2.2. Operations in foreign currency

2. **Notes on the balance sheet**

2.1. Company capital
2.2. Investments – various receivables
2.3. Statement of provisions
2.4. Off balance-sheet commitments
2.5. Equity variations

3. **Notes on the income statement**

3.1. Staffing
3.2. Operating result
3.3. Financial Result

4. **Other information**

4.1. Company consolidating the accounts
4.2. Events subsequent to closure
4.3. Information concerning linked enterprises

1. ACCOUNTING PRINCIPLES AND METHODS

1.1. THE PRINCIPLES – A RECAP

General accounting rules have been applied based on the principles of prudence, in accordance with the following basic assumptions:

- Continuity of operation
- Consistency of accounting methods from one year to the next according to general establishment rules and submission of annual accounts
- Financial years being independent of each other

The basic method used is the evaluation of historic costs of the elements entered in the books. The financial statements have been drawn up according to the accounting plan and in accordance with CRC Regulation 99.03. The closure date of the accounting and tax year was changed in 2008 and since then has been 30 September instead of 31 December.

1.2. MEANS AND METHODS APPLIED TO THE DIFFERENT HEADINGS OF THE BALANCE SHEET AND INCOME RESULT

1.2.1. Debts and receivables

Debts and receivables have been set at their nominal value.

If necessary, receivables have been depreciated by way of a provision in order to take account of possible difficulties in recovery.

1.2.2. Operations in currency

Charges and foreign currency income have been entered in their value in Euros on the date of operation. Debts, claims and cash in hand in currency are shown on the balance sheet at their value in Euros during the end of the year.

The difference arising out of this conversion is shown under the heading "foreign exchange unrealised gains and losses" for debts and receivables.

Losses deferred not compensated by exchange cover are the subject of contingency provision.

2. *NOTES ON THE BALANCE SHEET*

2.1. COMPANY CAPITAL

Company capital is set at 1 000 000 euros and divided into 100 000 company shares, each 10 euros nominal

DISTRIBUTION OF ALTADIS FINANCIAL SERVICES CAPITAL AT 30/09/12	Number of company shares	% of capital
SEITA, 143 boulevard Romain Rolland, 75014 PARIS	60 000	60%
UREX, Glorieta de Quevedo 9, 28010 MADRID	40 000	40%
TOTAL	100 000 shares	

2.2. INVESTMENTS –various receivables

No loan was approved in 2013. On the question of current accounts, the various claim receivables are for more than one year and concern linked enterprises

Amounts in millions of €

Seita current account	1.87
TOTAL	**1.87**

2.3. STATEMENT OF PROVISIONS

Amounts in millions of €

2013	Amount 01/10/12	Funding increases	Fall in recoveries	Amount 30/09/13
Nature of the provisions				
-Provisions for contingencies and losses				
- Exchange contingency				
- Offset contingency	0.160		-0.160	0.000

The provision for contingency with regard to the current account of the subsidiary Altadis Promotion International has been the subject of a recovery, the company having been liquidated on 18 April 2013.

2.4. OFF BALANCE-SHEET COMMITMENTS

There was no financial instrument of duration or of exchange subscribed to by Altadis Financial Services at the end of 2013.

2.5. VARIATIONS IN EQUITY

	Equity 1/10	Result 30/9	Dividends paid to shareholders	Variations of regulated provisions	Re-evaluation recovery reserve	Capital increase operation	Optional reserve and advances on dividends	Cash reserve	Equity 30/09
2013	1 913 60	-8 02							1 905 58

3. *NOTES ON THE INCOME STATEMENT*

3.1. STAFFING

Staffing: None

3.2. OPERATING RESULT

Amounts in thousands of €

	YEAR 2013	YEAR 2012
Outside staff	0.00	(46.10)
Banking services	(0.29)	(2.22)
Other taxes	0.00	0.00)
Other external services Other charges	(11.63)	(15.45)
Operational Result	(11.92)	(63.77)

3.3. FINANCIAL RESULT

Amounts in millions of €

	YEAR 2013	YEAR 2012
Income from financial interest (*)	0.164	0.01
Charges for financial interest (*)	(0.160)	0.00
Net income from financial interest	0.004	0.01
Exchange outcomes	0.000	0.00
Financial provision contributions Financial provisions recovery	0.000	(0.03)
Net financial result	(0.004)	(0.02)

(*) Financial interest income and charges regarding interest linked to paying into the current accounts of linked enterprises.

4. *OTHER INFORMATION*

4.1. COMPANY CONSOLIDATING THE ACCOUNTS

IDENTITY OF THE PARENT COMPANY CONSOLIDATING THE ACCOUNTS OF THE COMPANY IN FULL:

Imperial Tobacco Limited, (French branch) 121 Winterstoke Road – BRISTOL BS3 2LL (UK)

4.2. EVENTS SUBSEQUENT TO CLOSURE

None

4.3. INFORMATION CONCERNING LINKED ENTERPRISES

No activity with companies linked in the sense of Regulation ANC No. 2010-02 of 02/09/10 is being entered.

ALTADIS FINANCIAL SERVICES

Rapport du commissaire aux comptes sur les comptes annuels

(Exercice clos le 30 septembre 2013)

pwc

Rapport du commissaire aux comptes sur les comptes annuels

(Exercice clos le 30 septembre 2013)

Aux Associés
ALTADIS FINANCIAL SERVICES
143, boulevard Romain Rolland
75014 Paris

En exécution de la mission qui nous a été confiée par votre Assemblée Générale, nous vous présentons notre rapport relatif à l'exercice clos le 30 septembre 2013, sur :

- le contrôle des comptes annuels de la société ALTADIS FINANCIAL SERVICES, tels qu'ils sont joints au présent rapport ;
- la justification de nos appréciations ;
- les vérifications et informations spécifiques prévues par la loi.

Les comptes annuels ont été arrêtés par la Gérance. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I - Opinion sur les comptes annuels

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes annuels. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

PricewaterhouseCoopers Audit SA, 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex
Téléphone: +33 (0)1 56 57 58 59, Fax: +33 (0)1 56 57 58 60, www.pwc.fr

Société d'expertise comptable inscrite au tableau de l'ordre de Paris - Ile de France. Société de commissariat aux comptes membre de la compagnie régionale de Versailles.Société Anonyme au capital de 2 510 460 €. Siège social : 63, rue de Villiers 92200 Neuilly-sur-Seine. RCS Nanterre 672 006 483. TVA n° FR 76 672 006 483. Siret 672 006 483 00362. Code APE 6920 Z. Bureaux : Bordeaux, Grenoble, Lille, Lyon, Marseille, Metz, Nantes, Neuilly-Sur-Seine, Nice, Poitiers, Rennes, Rouen, Strasbourg, Toulouse.

II - Justification de nos appréciations

En application des dispositions de l'article L. 823-9 du code de commerce relatives à la justification de nos appréciations, nous vous informons que les appréciations auxquelles nous avons procédé ont porté sur le caractère approprié des principes comptables appliqués.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes annuels, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III - Vérifications et informations spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par la loi.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion de la Gérance et dans les documents adressés aux Associés sur la situation financière et les comptes annuels.

Fait à Neuilly-sur-Seine, le 4 février 2014

Le Commissaire aux comptes
PricewaterhouseCoopers Audit

Camille Phelizon

ALTADIS FINANCIAL SERVICES
BILAN AU 30/09/2013

RUBRIQUES DE L'ACTIF	Montants bruts 30/09/2013	Amortissements & Provisions 30/09/2013	Montants nets 30/09/2013	Montants nets 30/09/2012
Immobilisations incorporelles				
Terrains				
Constructions				
Installations techniques, matériels & outillages industriels				
Autres immobilisations corporelles				
Immobilisations corporelles en cours				
Avances et acomptes				
Total des immobilisations incorporelles et corporelles	0	0	0	0
Participations				
Créances rattachées à des participations				
Autres titres immobilisés				
Prêts				
Autres immobilisations financières				
Débitants - crédit de stock				
Total des immobilisations financières	0	0	0	0
Matières premières et approvisionnements				
En cours de production				
Produits intermédiaires et finis				
Marchandises				
Total des stocks	0	0	0	0
Avances et acomptes versés sur commandes	6 219		6 219	0
Débitants et concessionnaires - crédit à la livraison				
Autres clients et comptes rattachés				
Autres créances d'exploitation				
Créances diverses	1 869 691		1 869 691	2 075 643
Total des créances	1 875 910	0	1 875 910	2 075 643
Valeurs mobilières de placement et créances assimilées (sauf actions propres)				
Actions propres				
Instruments financiers				
Charges latentes sur options d'ouverture				
Disponibilités	46 493		46 493	12 091
Charges constatés d'avance				
Transferts à reclasser				
Charges à répartir				
Ecart de conversion actif				
Total général	1 922 403	0	1 922 403	2 087 734

ALTADIS FINANCIAL SERVICES
BILAN AU 30/09/2013

RUBRIQUES DU PASSIF	Montants bruts 30/09/2013	Montants bruts 30/09/2012
Capital	1 000 000	1 000 000
Prime d'émission, de fusion, d'apport		
Réserves de réévaluation (loi du 29/12/76)		
Réserve légale	102 023	102 023
Réserves indisponibles		
Réserves statutaires et facultatives		
Réserves des plus values		
Report à nouveau	811 580	893 094
Résultat de l'exercice	-8 020	-81 514
Acompte sur dividendes		
Provision pour investissement (participation)		
Provision pour hausse de prix		
Amortissements dérogatoires		
Provision spéciale de réévaluation		
Total des capitaux propres	**1 905 583**	**1 913 603**
Provisions pour risques		159 850
Provisions pour impôts à payer		
Provisions pour charges		
Provisions pour retraites, pensions et avantages assimilés		
Total des provisions pour risques et charges	**0**	**159 850**
Avances d'actionnaires		
Emprunts et dettes auprès d'établissements de crédit		
Emprunts et dettes financières divers		
Avances et acomptes reçus sur commandes		
Dettes fournisseurs et comptes rattachés	16 820	14 280
Dettes fiscales et sociales		
Autres dettes d'exploitation		
Dettes sur immobilisations et comptes rattachés		
Dettes fiscales		
Autres dettes diverses		
Total des dettes	**16 820**	**14 280**
Instruments financiers		
Produits latents sur options d'ouverture		
Produits constatés d'avance		
Abonnements de charges		
Ecart de conversion passif		
Total général	**1 922 403**	**2 087 734**

ALTADIS FINANCIAL SERVICES
COMPTE DE RESULTAT AU 30/09/2013

Postes	Sous-total	Total 30/09/2013	Total 30/09/2012
Produits d'exploitation			
Ventes de marchandises (1)			
Production vendue (2)			
de biens			
de services			
Chiffre d'affaires net (1) + (2)			
Production stockée			
Production immobilisée			
Subventions d'exploitation			
Reprises sur provisions et amortissements			
Autres produits d'exploitation			
Total des produits d'exploitation		0	0
Charges d'exploitation			
Coût d'achat des marchandises vendues			
Variation de stocks			
Achats stockés d'approvisionnements			
matières premières			
autres approvisionnements			
variation de stocks			
sous-traitance			
matières, fournitures non stockées			
Services extérieurs		11 919	63 769
personnel extérieur			
crédit bail			
autres services extérieurs	11 627		
entretien et réparations			
transports et déplacements			
services bancaires	292		
Impôts, taxes et versements assimilés			
Impôts et taxes sur rémunérations			
Autres impôts			
Charges de personnel			
Salaires et traitements			
Charges sociales			
Autres charges de personnel			
Dotations aux amortissements et provisions			
Amortissements sur immobilisations			
Provisions sur actif circulant			
Provisions pour risques et charges			
Autres charges d'exploitation			
Total des charges d'exploitation		11 919	63 769
Résultat d'exploitation		-11 919	-63 769

ALTADIS FINANCIAL SERVICES
COMPTE DE RESULTAT AU 30/09/2013

Postes	Sous-total	Total 30/09/2013	Total 30/09/2012
Produits financiers			
Produits des participations			
Produits des VMP, autres créances			
Autres intérêts, produits assimilés	3 899		
Reprises sur provisions financières	159 850		
Différences positives de change			
Produits nets sur cessions VMP			
Total des produits financiers		**163 749**	**13 773**
Charges financières			
Dotations aux provisions financières			
Intérêts et charges assimilées	159 850		
Différences négatives de change			
Charges nettes sur cessions de VMP			
Total des charges financières		**159 850**	**31 518**
Résultat financier		**3 899**	**-17 745**
Résultat courant avant impôts		**-8 020**	**-81 514**
Produits exceptionnels			
Produits des cessions d'actifs			
Reprises sur provisions exceptionnelles			
Autres produits exceptionnels			
Total des produits exceptionnels		**0**	**0**
Charges exceptionnelles			
Valeur comptable des actifs cédés			
Dotations aux provisions règlementées			
Dotations amortissements dérogatoires			
Dotations provisions exceptionnelles			
Autres charges exceptionnelles			
Total des charges exceptionnelles		**0**	**0**
Résultat exceptionnel		**0**	**0**
Participation des salariés			
Impôts sur les bénéfices			
Total des produits		163 749	13 773
Total des charges		171 769	95 287
Résultat de l'exercice		**-8 020**	**-81 514**

ALTADIS FINANCIAL SERVICES
ANNEXE AUX ETATS FINANCIERS AU 30 SEPTEMBRE 2013

(MONTANTS EXPRIMES EN MILLIONS D'EUROS)

1 - Principes et méthodes comptables

1.1 - Rappel des principes

1.2 - Modes et méthodes appliqués aux différents postes du bilan et du compte de résultat

1.2.1 - Dettes et créances
1.2.2 - Opérations en devises

2 - Notes sur le bilan

2.1 - Capital social
2.2 - Placements - Créances diverses
2.3 - Etat des provisions
2.4 - Engagements hors bilan
2.5 - Variations des capitaux propres

3 - Notes sur le compte de résultat

3.1 - Effectif
3.2 - Résultat d'exploitation
3.3 - Résultat financier

4 – Autres informations

4.1 - Société consolidant les comptes
4.2 - Evènements postérieurs à la clôture
4.3 - Informations concernant les entreprises liées

1 - PRINCIPES ET METHODES COMPTABLES

1.1 - RAPPEL DES PRINCIPES

Les conventions générales comptables ont été appliquées dans le respect du principe de prudence, conformément aux hypothèses de base suivantes :

- continuité de l'exploitation,
- permanence des méthodes comptables d'un exercice à l'autre selon les règles générales d'établissement et de présentation des comptes annuels
- indépendance des exercices

La méthode de base retenue est l'évaluation aux coûts historiques des éléments inscrits en comptabilité.
Les états financiers ont été établis selon le plan comptable et conformément au règlement CRC 99.03.
La date de clôture de l'exercice comptable et fiscal a été changée en 2008 et est dorénavant le 30 septembre au lieu du 31 décembre.

1.2 - MODES ET METHODES APPLIQUES AUX DIFFERENTS POSTES DU BILAN ET DU COMPTE DE RESULTAT

1.2.1 - Dettes et créances

Les dettes et créances sont évaluées pour leur valeur nominale.

Les créances sont, le cas échéant, dépréciées par voie de provision pour tenir compte des difficultés de recouvrement éventuelles.

1.2.2 - Opérations en devises

Les charges et produits en devises sont enregistrés pour leur contre-valeur en Euros à la date d'opération.
Les dettes, créances et disponibilités en devises figurent au bilan pour leur contre-valeur en Euros au cours de fin d'exercice.

La différence résultant de cette conversion est portée au bilan à la rubrique "écart de conversion" pour les dettes et les créances.

Les pertes latentes non compensées par une couverture de change font l'objet d'une provision pour risques.

2 - NOTES SUR LE BILAN

2.1 - CAPITAL SOCIAL

Le capital social est fixé à 1 000 000 d'euros et divisé en 100 000 parts sociales de 10 euros de nominal chacune.

REPARTITION DU CAPITAL D'ALTADIS FINANCIAL SERVICES AU 30/09/13	Nombre de parts sociales	% du capital
SEITA **143 boulevard Romain Rolland** **75014 PARIS**	**60 000**	**60 %**
UREX **Glorieta de Quevedo n°9** **28010 MADRID**	**40 000**	**40 %**
TOTAL	**100 000 parts**	

2.2 – PLACEMENTS - Créances diverses

Aucun prêt n'a été consenti en 2013. S'agissant de comptes courants, les créances diverses sont à plus d'un an, en euro et concernent les entreprises liées.

Montants en millions d'euros

Compte courant Seita	1,87
TOTAL CREANCES DIVERSES	**1,87**

2.3 – ETAT DES PROVISIONS

Montants en millions d'euros

2013	Montant au 01.10.12	Augmentation Dotations	Diminutions Reprises	Montant au 30.09.13
Nature des provisions				
- Provisions pour risques et charges :				
- Risque de change				
- Risque de contrepartie	0,160		-0,160	0,000

La provision pour risque concernant le compte courant de la filiale Altadis Promotion International a fait l'objet d'une reprise, la société ayant été liquidée en date du 18 Avril 2013.

2.4 – ENGAGEMENTS HORS BILAN

Il n'y a aucun instrument financier de taux ou de change souscrits par Altadis Financial Services à fin 2013.

2.5 – VARIATIONS DES CAPITAUX PROPRES

	Capitaux propres au 1/10	Résultat au 30/09	Dividendes versés à l'actionnaire	Variation des provisions réglementées	Reprise réserve de réévaluation	Opération augmentation capital	Réserve facultative et acompte sur dividendes	Réserve Indisponible	Capitaux propres au 30/09
2013	1 913,60	- 8,02							1 905,58

3 - *NOTES SUR LE COMPTE DE RESULTAT*

3.1- EFFECTIF

Effectif : néant

3.2- RESULTAT D'EXPLOITATION

Montants en milliers d'euros

	EXERCICE 2013	EXERCICE 2012
Personnel exterieur	0,00	(46,10)
Services bancaires	(0,29)	(2,22)
Autres impôts	0,00	0,00
Autres services exterieurs	(11,63)	(15,45)
Autres charges		
Résultat d'exploitation	**(11,92)**	**(63,77)**

3.3- RESULTAT FINANCIER

Montants en millions d'euros

	EXERCICE 2013	EXERCICE 2012
Produits d'intérêts financiers (*)	0,164	0,01
Charges d'intérêts financiers (*)	(0,160)	0,00
Produits d'intérêts financiers nets	**0,004**	**0,01**
Résultat de change	**0,000**	**0,00**
Dotations aux provisions financières	**0,000**	**(0,03)**
Reprises aux provisions financières		
Résultat financier net	**(0,004)**	**(0,02)**

(*) Les produits et charges d'intérêts financiers concernent les intérêts liés à la rémunération des comptes courants des entreprises liées.

4 - AUTRES INFORMATIONS

4.1- SOCIETE CONSOLIDANT LES COMPTES

IDENTITE DE LA SOCIETE MERE CONSOLIDANT LES COMPTES DE LA SOCIETE EN INTEGRATION GLOBALE :

IMPERIAL TOBACCO LIMITED (succursale française)
121 Winterstoke Road, Bristol BS3 2LL, United Kingdom,

4.2- EVENEMENTS POSTERIEURS A LA CLOTURE

Néant.

4.3- INFORMATIONS CONCERNANT LES ENTREPRISES LIEES

Aucune opération avec les sociétés liées au sens du règlement ANC N° 2010-02 du 02/09/10 n'est à mentionner.

ALTADIS FINANCIAL SERVICES

AUDITOR'S REPORT ON ANNUAL ACCOUNTS

(Year ending 30 September 2012)

Statutory auditor's report on the financial statements
(For the year ended 30 September 2012)

The Issuers confirm that this is a translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users, and that the translations thereof are accurate. In case of a discrepancy between the original document and the English translation thereof, the original document will prevail. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report was prepared, and should be construed in accordance with, French law and professional auditing standards applicable in France.

To the Partners
ALTADIS FINANCIAL SERVICES
143, boulevard Romain Rolland
75014 Paris

In compliance with the assignment entrusted to us by your general assembly, we hereby report to you, for the year ended 30 September 2012 on:

- the audit of the accompanying financial statements of ALTADIS FINANCIAL SERVICES
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by General Manager *(la Gérance)*. Our role is to express an opinion on these financial statements based on our audit.

II - Justification of our assessments

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the

financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 30 September 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you that the assessments we made were related to the appropriateness of the accounting principles applied.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the General Manager, and in the documents addressed to the Partners with respect to the financial position and the financial statements.

Neuilly-sur-Seine, on 7 January 2013

The statutory auditor

PricewaterhouseCoopers Audit

Camille Phelizon

ALTADIS FINANCIAL SERVICES
STATEMENT OF ACCOUNTS AT 30/09/2012

ASSETS	Gross amounts 30/09/2012	Depreciation & Reserves 30/09/2012	Net amounts 30/09/2012	Net amounts 30/09/2011
Intangibles				
Land				
Buildings				
Technical installations, materials, industrial tools				
Other intangibles				
Fixed assets in progress				
Pre-paids				
Total intangibles and tangibles	0	0	0	0
Holdings				
Receivables from controlled entities				
Other capitalised securities				
Loans				
Other long term investments				
Dealers - Stock credit				
Total long term investments	0	0	0	0
Raw materials and supplies				
In course of production				
Semi-finished and finished products				
Merchandise				
Total stocks	0	0	0	0
Advances and pre-paids on orders				
Dealers and franchisees- delivery credit				
Other clients and related accounts				
Other operational receivables				
Miscellaneous receivables	2 075 643		2 075 643	1 908 991 973
Total receivables	**2 075 643**	0	**2 075 643**	**1 908 991 973**
Investment securities and similar receivables (excl. own shares)				
Treasury stock				
Cash	12 091		12 091	2 207
Pre-paid expenses				
Expenses to be amortized				
Unrealised exchange losses				
General total	**2 087 734**	**0**	**2 087 734**	**1 908 994 180**

ALTADIS FINANCIAL SERVICES
STATEMENT OF ACCOUNTS AT 30/09/2012

LIABILITIES	Gross amount 30/09/2012	Gross amount 30/09/2011
Capital	1 000 000	1 000 000
Paid-in capital (issues, mergers, contributions)		
Special re-evaluation reserve (Law of 29/07/76)		
Legal reserve	102 023	102 023
Non-available reserves		
Statutory and optional reserves		
Appropriated earnings from long term gains on assets		
Unappropriated earnings	893 094	917 089
Year result	-81 514	- 23 996
Advances on dividends		
Provision for investment (holding)		
Provision for price rise		
Excess tax depreciation		
Special reserve for assets restated over historical cost		
Total Equity	**1 913 603**	**1 995 117**
Provisions for contingencies	159 850	129 285
Provisions for taxes to be paid		
Provisions for charges		
Provisions for retirement, pensions and similar benefits		
Total provisions for contingencies and charges	**159 850**	**129 285**
Shareholder advances		
Loans and debts with credit houses		649 437
Miscellaneous loans and debts		
Advances and down-payments on orders Supplier debts and associated accounts	14 280	21 055
Tax and company debts		
Other operational debts		
Payables to fixed assets and accrued payables		
Tax debts		
Other miscellaneous debts		1 906 199 288
Total debts	**14 280**	**1 906 869 779**
Prepaid income		
Unrealised foreign exchange gains/losses		
Grand total	**2 087 734**	**1 908 994 180**

ALTADIS FINANCIAL SERVICES
STATEMENT OF PROFIT AND LOSS AT 30/09/2012

Items	Sub-total	Total 30/09/2012	Total 30/09/2011
Operational income			
Sale of goods (1)			
Production sold (2)			
-of goods			
-of services			
Net turnover (1)+(2)			
Stored production			
Self production			
Operating subsidies			
Recoveries of provisions and amortisations			
Other production income			
All production income		0	0
Operational charges			
Purchase costs of goods sold			
Stock variation			
Inventory purchases			
Raw materials			
Other procurement			
Stock variation			
Sub-contracting			
Materials, supplies not stocked			
Exterior services		63 769	92 137
Outside staff	46 104		
Leasing			
Other outside services	15 446		
Upkeep and repairs			
Transport and travel			
Banking services	2 219		
Taxes, duties and assimilated payments			
Taxes and duties on remunerations			
Other taxes			
Staffing charges			
Salaries and wages			
Social Security charges			
Other staffing charges			
Depreciation expenses			
Depreciation on immobile assets			
Provisions on current assets			
Provisions for contingencies and charges			
Other operational charges			
Total operational charges		**63 769**	**92 137**
Operational result		**-63 769**	**- 92 137**

ALTADIS FINANCIAL SERVICES
STATEMENT OF PROFIT AND LOSS AT 30/09/2012

Items	Sub-total	Total 30/09/2012	Total 30/09/2011
Financial products			
Investment income			
Other assimilated interest	13 773		
Recovery on financial provisions			
Positive exchange differences			
Net income on VMP cessions			
Total financial income		**13 773**	**27 291 744**
Financial charges			
Financial provisions	30 566		
Interest and assimilated charges	932		
Negative exchange differences	20		
Net charges on VMP cessions			
Total financial charges		**31 518**	**27 223 602**
Financial result		**-17 745**	**68 142**
Result before tax		**-81 514**	**-23 996**
Extraordinary income			
Income from the cession of shares			
Recovery of extraordinary provisions			
Other extraordinary income			
Total extraordinary income		0	0
Extraordinary charges			
Accounting value of assets ceded			
Regulatory provisions entry			
Tax-exempt depreciation allowances			
Allowances for extraordinary provisions			
Other extraordinary charges			
Total extraordinary charges		0	0
Extraordinary result		0	0
Employee profit share			
Tax on profits			
Total income		13 773	27 291 744
Total charges		95 287	27 315 739
Year result		**-81 514**	**-23 996**

ALTADIS FINANCIAL SERVICES
APPENDIX TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012
(AMOUNTS EXPRESSED IN MILLIONS OF EUROS)

1. **Accounting Principles and Methods**

1.1.- The Principles – A Recap
1.2. - Means /methods applied to the different items of the balance sheet and income statement
1.2.1. Debts and Receivables
1.2.2. Operations in foreign currency

2. **Notes on the balance sheet**

2.1. Company capital
2.2. Investments – various receivables
2.3. Statement of provisions
2.4. Off balance-sheet commitments
2.5. Equity variations

3. **Notes on the income statement**

3.1. Staffing
3.2. Operating result
3.3. Financial Result

4. **Other information**

4.1. Company consolidating the accounts
4.2. Events subsequent to closure
4.3. Information concerning linked enterprises

1. ACCOUNTING PRINCIPLES AND METHODS

1.1. THE PRINCIPLES – A RECAP

General accounting rules have been applied pursuant to the principle of prudence, in accordance with the following basic assumptions:

- Continuity of operation
- Consistency of accounting methods from one year to the next according to general establishment rules and submission of annual accounts
- Financial years being independent of each other

The basic method used is the evaluation of historic costs of the elements entered in the books. The financial statements have been drawn up according to the accounting plan and in accordance with CRC Regulation 99.03. The closure date of the accounting and tax year was changed in 2008 and since then has been 30 September instead of 31 December.

1.2. MEANS AND METHODS APPLIED TO THE DIFFERENT HEADINGS OF THE BALANCE SHEET AND INCOME RESULT

1.2.1. Debts and Receivables

Debts and receivables have been set at their nominal value.

If necessary, receivables have been depreciated by way of a provision in order to take account of possible difficulties in recovery.

1.2.2. Operations in currency

Charges and income in currency have been entered in their value in Euros on the date of operation. Debts, receivables and cash in hand in currency are shown on the balance sheet at their value in Euros during the end of the year.

The difference arising out of this conversion is shown under the heading "foreign exchange unrealised gains and losses" for debts and receivables.

Losses deferred not compensated by exchange cover are the subject of a provision for contingencies.

2. *NOTES ON THE BALANCE SHEET*

2.1. COMPANY CAPITAL

Company capital is set at 1 000 000 euros and divided into 100 000 company shares, each 10 euros nominal

DISTRIBUTION OF ALTADIS FINANCIAL SERVICES CAPITAL AT 30/09/12	Number of company shares	% of capital
SEITA, 143 boulevard Romain Rolland, 75014 PARIS	60 000	60%
UREX, Glorieta de Quevedo 9, 28010 MADRID	40 000	40%
TOTAL	100 000 shares	

2.2. INVESTMENTS – various receivables

No loan was approved in 2012. On the question of current accounts, the various claim receivables are for more than one year and concern linked enterprises.

Amounts in millions of €

Seita current account	1.92
Altadis Promotion International current account	0.16
TOTAL	**2.08**

2.3. STATEMENT OF PROVISIONS

Amounts in millions of €

2012	Amount 01/10/11	Funding increases	Fall in recoveries	Amount 30/09/12
Nature of the provisions				
-Provisions for contingencies and losses				
- Exchange contingency				
- Offset contingency	0.129	0.031		0.160

The provision for contingency with regard to the current account of the subsidiary Altadis Promotion International has been maintained and re-evaluated, taking into account a dispatch of funds of 25 000 euros in 2012, in order to meet expenses linked to the process of liquidation. The company no longer operates; liquidation is in progress and should come into effect in 2013.

2.4. OFF BALANCE-SHEET COMMITMENTS

There was no financial instrument of duration or of exchange subscribed to by Altadis Financial Services at the end of 2012.

2.5. VARIATIONS IN EQUITY

	Equity 1/10	Result 30/9	Dividends paid to shareholders	Variations of regulated provisions	Re-evaluation recovery reserve	Capital increase operation	Optional reserve and advances on dividends	Cash reserve	Equity 30/09
2012	1 995.11	-81.51							1 913.60

3. *NOTES ON THE INCOME STATEMENT*

3.1. STAFFING

Staffing: None
A service is provided by Seita

3.2. OPERATING RESULT

Amounts in thousands of €

	YEAR 2012	YEAR 2011
Outside staff	(46.10)	(68.80)
Banking services	(2.22)	(9.32)
Other taxes	0.00	0.00
Other external services Other charges	(15.45)	(14.02)
Operational Result	(63.77)	(92.14)

3.3. FINANCIAL RESULT

Amounts in millions of €

	YEAR 2012	YEAR 2011
Income from financial interest (*)	0.01	27.21
Charges for financial interest (*)	0.00	(27.14)
Net income from financial interest	0.01	0.07
Exchange outcomes	0.00	0.00
Financial provision contributions Financial provisions recovery	(0.03)	
Net financial result	(0.02)	(0.07)

(*) Financial interest income and charges regarding interest linked to paying into the current accounts of linked enterprises.

4. OTHER INFORMATION

4.1. COMPANY CONSOLIDATING THE ACCOUNTS

IDENTITY OF THE PARENT COMPANY CONSOLIDATING THE ACCOUNTS OF THE COMPANY IN FULL:

Imperial Tobacco Limited, PO BOX 244 Southville – BRISTOL BS99 7UJ (UK)

4.2. EVENTS SUBSEQUENT TO CLOSURE

None

4.3. INFORMATION CONCERNING LINKED ENTERPRISES

No operation with linked enterprises in the sense of regulation ANC No. 2010-02 of 02/09/10 was relevant.

ALTADIS FINANCIAL SERVICES

RAPPORT DU COMMISSAIRE AUX COMPTES SUR LES COMPTES ANNUELS

(Exercice clos le 30 septembre 2012)

pwc

RAPPORT DU COMMISSAIRE AUX COMPTES
SUR LES COMPTES ANNUELS

(Exercice clos le 30 septembre 2012)

Aux Associés
ALTADIS FINANCIAL SERVICES
143, boulevard Romain Rolland
75014 Paris

Mesdames, Messieurs,

En exécution de la mission qui nous a été confiée par votre Assemblée Générale, nous vous présentons notre rapport relatif à l'exercice clos le 30 septembre 2012, sur :

- le contrôle des comptes annuels de la société ALTADIS FINANCIAL SERVICES, tels qu'ils sont joints au présent rapport ;
- la justification de nos appréciations ;
- les vérifications et informations spécifiques prévues par la loi.

Les comptes annuels ont été arrêtés par la Gérance. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I - Opinion sur les comptes annuels

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes annuels. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

PricewaterhouseCoopers Audit, SA, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex
T: +33 (0) 1 56 57 58 59, F: +33 (0) 1 56 57 58 60, www.pwc.fr

Société d'expertise comptable inscrite au tableau de l'ordre de Paris - Ile de France. Société de commissariat aux comptes membre de la compagnie régionale de Versailles. Société Anonyme au capital de 2 510 460 €. Siège social : 63, rue de Villiers 92200 Neuilly-sur- Seine. RCS Nanterre 672 006 483. TVA n° FR 76 672 006 483. Siret 672 006 483 00362. Code APE 6920 Z. Bureaux : Bordeaux, Grenoble, Lille, Lyon, Marseille, Metz, Nantes, Nice, Paris, Poitiers, Rennes, Rouen, Strasbourg, Toulouse.

II - Justification de nos appréciations

En application des dispositions de l'article L. 823-9 du Code de commerce relatives à la justification de nos appréciations, nous vous informons que les appréciations auxquelles nous avons procédé ont porté sur le caractère approprié des principes comptables appliqués.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes annuels, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III - Vérifications et informations spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par la loi.

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion de la Gérance et dans les documents adressés aux Associés sur la situation financière et les comptes annuels.

Fait à Neuilly-sur-Seine, le 7 janvier 2013

Le Commissaire aux comptes
PricewaterhouseCoopers Audit

Camille Phélizon

ALTADIS FINANCIAL SERVICES
BILAN AU 30/09/2012

RUBRIQUES DE L'ACTIF	Montants bruts 30/09/2012	Amortissements & Provisions 30/09/2012	Montants nets 30/09/2012	Montants nets 30/09/2011
Immobilisations incorporelles				
Terrains				
Constructions				
Installations techniques, matériels & outillages industriels				
Autres immobilisations corporelles				
Immobilisations corporelles en cours				
Avances et acomptes				
Total des immobilisations incorporelles et corporelles	0	0	0	0
Participations				
Créances rattachées à des participations				
Autres titres immobilisés				
Prêts				
Autres immobilisations financières				
Débitants - crédit de stock				
Total des immobilisations financières	0	0	0	0
Matières premières et approvisionnements				
En cours de production				
Produits intermédiaires et finis				
Marchandises				
Total des stocks	0	0	0	0
Avances et acomptes versés sur commandes				
Débitants et concessionnaires - crédit à la livraison				
Autres clients et comptes rattachés				
Autres créances d'exploitation				
Créances diverses	2 075 643		2 075 643	1 908 991 973
Total des créances	**2 075 643**	0	**2 075 643**	**1 908 991 973**
Valeurs mobilières de placement et créances assimilées (sauf actions propres)				
Actions propres				
Disponibilités	12 091		12 091	2 207
Charges constatés d'avance				
Charges à répartir				
Ecart de conversion actif				
Total général	**2 087 734**	0	**2 087 734**	**1 908 994 180**

ALTADIS FINANCIAL SERVICES
BILAN AU 30/09/2012

RUBRIQUES DU PASSIF	Montants bruts 30/09/2012	Montants bruts 30/09/2011
Capital	1 000 000	1 000 000
Prime d'émission, de fusion, d'apport		
Réserves de réévaluation (loi du 29/12/76)		
Réserve légale	102 023	102 023
Réserves indisponibles		
Réserves statutaires et facultatives		
Réserves des plus values		
Report à nouveau	893 094	917 089
Résultat de l'exercice	-81 514	-23 996
Acompte sur dividendes		
Provision pour investissement (participation)		
Provision pour hausse de prix		
Amortissements dérogatoires		
Provision spéciale de réévaluation		
Total des capitaux propres	**1 913 603**	**1 995 117**
Provisions pour risques	159 850	129 285
Provisions pour impôts à payer		
Provisions pour charges		
Provisions pour retraites, pensions et avantages assimilés		
Total des provisions pour risques et charges	**159 850**	**129 285**
Avances d'actionnaires		
Emprunts et dettes auprès d'établissements de crédit		649 437
Emprunts et dettes financières divers		
Avances et acomptes reçus sur commandes		
Dettes fournisseurs et comptes rattachés	14 280	21 055
Dettes fiscales et sociales		
Autres dettes d'exploitation		
Dettes sur immobilisations et comptes rattachés		
Dettes fiscales		
Autres dettes diverses		1 906 199 288
Total des dettes	**14 280**	**1 906 869 779**
Produits constatés d'avance		
Ecart de conversion passif		
Total général	**2 087 734**	**1 908 994 180**

ALTADIS FINANCIAL SERVICES
COMPTE DE RESULTAT AU 30/09/2012

Postes	Sous-total	Total 30/09/2012	Total 30/09/2011
Produits d'exploitation			
Ventes de marchandises (1)			
Production vendue (2)			
de biens			
de services			
Chiffre d'affaires net (1) + (2)			
Production stockée			
Production immobilisée			
Subventions d'exploitation			
Reprises sur provisions et amortissements			
Autres produits d'exploitation			
Total des produits d'exploitation		**0**	**0**
Charges d'exploitation			
Coût d'achat des marchandises vendues			
Variation de stocks			
Achats stockés d'approvisionnements			
matières premières			
autres approvisionnements			
variation de stocks			
sous-traitance			
matières, fournitures non stockées		63 769	92 137
Services extérieurs			
personnel extérieur	46 104		
crédit bail			
autres services extérieurs	15 446		
entretien et réparations			
transports et déplacements			
services bancaires	2 219		
Impôts, taxes et versements assimilés			
Impôts et taxes sur rémunérations			
Autres impôts			
Charges de personnel			
Salaires et traitements			
Charges sociales			
Autres charges de personnel			
Dotations aux amortissements et provisions			
Amortissements sur immobilisations			
Provisions sur actif circulant			
Provisions pour risques et charges			
Autres charges d'exploitation			
Total des charges d'exploitation		**63 769**	**92 137**
Résultat d'exploitation		**-63 769**	**-92 137**

ALTADIS FINANCIAL SERVICES
COMPTE DE RESULTAT AU 30/09/2012

Postes	Sous-total	Total 30/09/2012	Total 30/09/2011
Produits financiers			
Produits des participations			
Produits des VMP, autres créances			
Autres intérêts, produits assimilés	13 773		
Reprises sur provisions financières			
Différences positives de change			
Produits nets sur cessions VMP			
Total des produits financiers		**13 773**	**27 291 744**
Charges financières			
Dotations aux provisions financières	30 566		
Intérêts et charges assimilées	932		
Différences négatives de change	20		
Charges nettes sur cessions de VMP			
Total des charges financières		**31 518**	**27 223 602**
Résultat financier		**-17 745**	**68 142**
Résultat courant avant impôts		**-81 514**	**-23 996**
Produits exceptionnels			
Produits des cessions d'actifs			
Reprises sur provisions exceptionnelles			
Autres produits exceptionnels			
Total des produits exceptionnels		**0**	**0**
Charges exceptionnelles			
Valeur comptable des actifs cédés			
Dotations aux provisions règlementées			
Dotations amortissements dérogatoires			
Dotations provisions exceptionnelles			
Autres charges exceptionnelles			
Total des charges exceptionnelles		**0**	**0**
Résultat exceptionnel		**0**	**0**
Participation des salariés			
Impôts sur les bénéfices			
Total des produits		13 773	27 291 744
Total des charges		95 287	27 315 739
Résultat de l'exercice		**-81 514**	**-23 996**

ALTADIS FINANCIAL SERVICES
ANNEXE AUX ETATS FINANCIERS AU 30 SEPTEMBRE 2012

(MONTANTS EXPRIMES EN MILLIONS D'EUROS)

1 - Principes et méthodes comptables

1.1 - Rappel des principes

1.2 - Modes et méthodes appliqués aux différents postes du bilan et du compte de résultat

1.2.1 - Dettes et créances
1.2.2 - Opérations en devises

2 - Notes sur le bilan

2.1 - Capital social
2.2 - Placements - Créances diverses
2.3 - Etat des provisions
2.4 - Engagements hors bilan
2.5 - Variations des capitaux propres

3 - Notes sur le compte de résultat

3.1 - Effectif
3.2 - Résultat d'exploitation
3.3 - Résultat financier

4 – Autres informations

4.1 - Société consolidant les comptes
4.2 - Evènements postérieurs à la clôture
4.3 - Informations concernant les entreprises liées

1 - PRINCIPES ET METHODES COMPTABLES

1.1 - RAPPEL DES PRINCIPES

Les conventions générales comptables ont été appliquées dans le respect du principe de prudence, conformément aux hypothèses de base suivantes :

- continuité de l'exploitation,
- permanence des méthodes comptables d'un exercice à l'autre selon les règles générales d'établissement et de présentation des comptes annuels
- indépendance des exercices

La méthode de base retenue est l'évaluation aux coûts historiques des éléments inscrits en comptabilité.
Les états financiers ont été établis selon le plan comptable et conformément au règlement CRC 99.03.
La date de clôture de l'exercice comptable et fiscal a été changée en 2008 et est dorénavant le 30 septembre au lieu du 31 décembre.

1.2 - MODES ET METHODES APPLIQUES AUX DIFFERENTS POSTES DU BILAN ET DU COMPTE DE RESULTAT

1.2.1 - Dettes et créances

Les dettes et créances sont évaluées pour leur valeur nominale.

Les créances sont, le cas échéant, dépréciées par voie de provision pour tenir compte des difficultés de recouvrement éventuelles.

1.2.2 - Opérations en devises

Les charges et produits en devises sont enregistrés pour leur contre-valeur en Euros à la date d'opération.
Les dettes, créances et disponibilités en devises figurent au bilan pour leur contre-valeur en Euros au cours de fin d'exercice.

La différence résultant de cette conversion est portée au bilan à la rubrique "écart de conversion" pour les dettes et les créances.

Les pertes latentes non compensées par une couverture de change font l'objet d'une provision pour risques.

2 - NOTES SUR LE BILAN

2.1 - CAPITAL SOCIAL

Le capital social est fixé à 1 000 000 d'euros et divisé en 100 000 parts sociales de 10 euros de nominal chacune.

REPARTITION DU CAPITAL D'ALTADIS FINANCIAL SERVICES AU 30/09/12	Nombre de parts sociales	% du capital
SEITA **143 boulevard Romain Rolland** **75014 PARIS**	**60 000**	**60 %**
UREX **Glorieta de Quevedo n°9** **28010 MADRID**	**40 000**	**40 %**
TOTAL	**100 000 parts**	

2.2 – PLACEMENTS - Créances diverses

Aucun prêt n'a été consenti en 2012. S'agissant de comptes courants, les créances diverses sont à plus d'un an, en euro et concernent les entreprises liées.

Montants en millions d'euros

Compte courant Seita	1,92
Compte courant Altadis Promotion International	0,16
TOTAL CREANCES DIVERSES	**2,08**

2.3 – ETAT DES PROVISIONS

Montants en millions d'euros

2012	Montant au 01.10.11	Augmentation Dotations	Diminutions Reprises	Montant au 30.09.12
Nature des provisions				
- Provisions pour risques et charges :				
- Risque de change				
- Risque de contrepartie	0,129	0,031		0,160

La provision pour risque concernant le compte courant de la filiale Altadis Promotion International, a été maintenue et réévaluée, compte tenu d'un envoi de fonds de 25 000 euros en 2012, pour faire face aux dépenses liées au processus de liquidation. La société n'a plus d'activité, la liquidation est en cours et devrait être effective en 2013.

2.4 – ENGAGEMENTS HORS BILAN

Il n'y a aucun instrument financier de taux ou de change souscrits par Altadis Financial Services à fin 2012.

2.5 – VARIATIONS DES CAPITAUX PROPRES

	Capitaux propres au 1/10	Résultat au 30/09	Dividendes versés à l'actionnaire	Variation des provisions réglementées	Reprise réserve de réévaluation	Opération augmentation capital	Réserve facultative et acompte sur dividendes	Réserve Indisponible	Capitaux propres au 30/09
2012	1 995,11	-81,51							1 913,60

3 - *NOTES SUR LE COMPTE DE RESULTAT*

3.1- EFFECTIF

Effectif : néant
Une prestation de service est fournie par la Seita.

3.2- RESULTAT D'EXPLOITATION

Montants en milliers d'euros

	EXERCICE 2012	EXERCICE 2011
Personnel exterieur	(46,10)	(68,80)
Services bancaires	(2,22)	(9,32)
Autres impôts	0,00	0,00
Autres services exterieurs	(15,45)	(14,02)
Autres charges		
Résultat d'exploitation	**(63,77)**	**(92,14)**

3.3- RESULTAT FINANCIER

Montants en millions d'euros

	EXERCICE 2012	EXERCICE 2011
Produits d'intérêts financiers (*)	0,01	27,21
Charges d'intérêts financiers (*)	0,00	(27,14)
Produits d'intérêts financiers nets	**0,01**	**0,07**
Résultat de change	**0,00**	**0,00**
Dotations aux provisions financières	**(0,03)**	
Reprises aux provisions financières		
Résultat financier net	**(0,02)**	**0,07**

(*) Les produits et charges d'intérêts financiers concernent les intérêts liés à la rémunération des comptes courants des entreprises liées.

4 - AUTRES INFORMATIONS

4.1- SOCIETE CONSOLIDANT LES COMPTES

IDENTITE DE LA SOCIETE MERE CONSOLIDANT LES COMPTES DE LA SOCIETE EN INTEGRATION GLOBALE :

Imperial Tobacco Limited, PO BOX 244 Southville – BRISTOL BS99 7U.J. U.K.

4.2- EVENEMENTS POSTERIEURS A LA CLOTURE

Néant.

4.3- INFORMATIONS CONCERNANT LES ENTREPRISES LIEES

Aucune opération avec les sociétés liées au sens du règlement ANC N° 2010-02 du 02/09/10 n'est à mentionner.

Unaudited Pro Forma Financial Information of the Enlarged Group

1. Pro forma financial information

The unaudited *pro forma* statement of net assets of the Enlarged Group is based on the net assets of the Group (for the purposes of this section only, the "Imperial Group") as at 30 September 2014 and has been prepared on the basis of the notes accompanying it to illustrate the effect of the Acquisition on the net assets of the Imperial Group as if it had been completed on that date.

The unaudited *pro forma* income statement of the Enlarged Group is based on the income statement of the Imperial Group for the year ended 30 September 2014 and has been prepared on the basis of the notes accompanying it to illustrate the effect of the Acquisition on the income statement of the Imperial Group as if it had been completed on 1 October 2013.

The financial information in respect of the Reynolds Business and the Lorillard Business for the 12 months to 30 September 2014 has been prepared by combining the unaudited combined income statements for the nine months ended 30 September 2014 with the audited year ended 31 December 2013 and eliminating the unaudited nine months ended 30 September 2013.

The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Imperial Group's actual financial position or results.

2. Unaudited *pro forma* statement of net assets of the Enlarged Group

	Imperial Group as at 30 September 2014 £m	Adjustment: Acquired Assets as at 30 September 2014 £m	Adjustment: Acquisition Accounting £m	*Pro Forma* Enlarged Group as at 30 September 2014 £m
	(Note 1)	(Note 2)	(Note 5)	
Non-current assets				
Intangible assets	15,859	103	3,994	19,956
Property, plant and equipment	1,862	128	—	1,990
Investments in associates	17	—	—	17
Retirement benefit assets	44	43	—	87
Trade and other receivables	75	—	—	75
Derivative financial instruments	605	—	—	605
Deferred tax assets	241	11	—	252
	18,703	**285**	**3,994**	**22,982**
Current assets				
Inventories	2,935	166	—	3,101
Trade and other receivables	2,806	—	—	2,806
Current tax assets	96	—	—	96
Cash and cash equivalents	1,431	—	—	1,431
Derivative financial instruments	38	—	—	38
	7,306	**166**	**—**	**7,472**
Total assets	**26,009**	**451**	**3,994**	**30,454**
Current liabilities				
Borrowings	(468)	—	—	(468)
Derivative financial instruments	(46)	—	—	(46)
Trade and other payables	(6,990)	—	—	(6,990)
Current tax liabilities	(133)	—	—	(133)
Provisions	(176)	—	—	(176)
	(7,813)	**—**	**—**	**(7,813)**
Non-current liabilities				
Borrowings	(9,464)	—	(4,379)	(13,843)
Derivative financial instruments	(645)	—	—	(645)
Trade and other payables	(21)	—	—	(21)
Deferred tax liabilities	(1,453)	—	—	(1,453)
Retirement benefit liabilities	(824)	(72)	—	(896)
Provisions	(312)	(14)	—	(326)
	(12,719)	**(86)**	**(4,379)**	**(17,184)**
Total liabilities	**(20,532)**	**(86)**	**(4,379)**	**(24,997)**
Net assets	**5,477**	**365**	**(385)**	**5,457**

3. Unaudited *pro forma* Income Statement of the Enlarged Group

	Imperial Group for the year ended 30 September 2014 £m	Adjustment: Acquired Assets for the 12 months ended 30 September 2014 £m	Adjustment: Acquisition Accounting £m	*Pro Forma* Enlarged Group for the year ended 30 September 2014 £m
	(Note 1)	(Note 2)	(Note 5)	
Revenue	26,625	2,342	—	28,967
Duty and similar items	(12,928)	(1,081)	—	(14,009)
Other cost of sales	(8,422)	(375)	—	(8,797)
Cost of sales	**(21,350)**	**(1,456)**	**—**	**(22,806)**
Gross profit	**5,275**	**886**	**—**	**6,161**
Distribution, advertising and selling costs	(1,946)	(298)	—	(2,244)
Acquisition costs	(13)	—	(20)	(33)
Amortisation of acquired intangibles	(644)	(19)	—	(663)
Restructuring costs	(305)	—	—	(305)
Other expenses	(303)	(210)	—	(513)
Administrative and other expenses	**(1,265)**	**(229)**	**(20)**	**(1,514)**
Operating profit	**2,064**	**359**	**(20)**	**2,403**
Investment income	517	—	—	517
Finance costs	(1,061)	—	(103)	(1,164)
Net finance costs	**(544)**	**—**	**(103)**	**(647)**
Profit before taxation	**1,520**	**359**	**(123)**	**1,756**
Taxation	(69)	(132)	27	(174)
Profit for the year	**1,451**	**227**	**(96)**	**1,582**

Note 1. Financial Information for the Imperial Group

The financial information for the Imperial Group has been extracted, without material adjustment, from the audited consolidated financial statements of the Imperial Group for the year ended 30 September 2014.

Note 2. Reconciliation to the Acquired Assets as at and for the 12 months ended 30 September 2014

The unaudited statement of net assets of the Acquired Assets, as set out below, is calculated using the adjusted Reynolds and Lorillard net asset statements as set out in Notes 3 and 4 respectively.

	As adjusted Reynolds Business as at 30 September 2014 $m	As adjusted Lorillard Business as at 30 September 2014 $m	Acquired Assets as at 30 September 2014 $m	Acquired Assets as at 30 September 2014 £m
	Note 3	Note 4		
Non-current assets				
Intangible assets	—	166	166	103
Property, plant and equipment	11	195	206	128
Retirement benefit assets	—	69	69	43
Deferred tax assets	—	18	18	11
	11	**448**	**459**	**285**
Current assets				
Inventories	118	151	269	166
	118	**151**	**269**	**166**
Total assets	**129**	**599**	**728**	**451**
Non-current liabilities				
Retirement benefit obligations	—	(116)	(116)	(72)
Provisions	—	(22)	(22)	(14)
	—	**(138)**	**(138)**	**(86)**
Total liabilities	**—**	**(138)**	**(138)**	**(86)**
Net assets	**129**	**461**	**590**	**365**

Figures have been translated from U.S.$ into GBP using an exchange rate of £1:$1.6188 being the exchange rate prevailing as at 30 September 2014, the date of Imperial Group's 2014 audited financial statements.

The unaudited income statement of the Acquired Assets, set out below, is calculated using the adjusted Reynolds and Lorillard income statements as set in Notes 3 and 4 respectively.

	As adjusted Reynolds Business for the 12 months ended 30 September 2014 $m	As adjusted Lorillard Business for the 12 months ended 30 September 2014 $m	Acquired Assets for the 12 months ended 30 September 2014 $m	Acquired Assets for the 12 months ended 30 September 2014 £m
	Note 3	Note 4		
Revenue	**2,654**	**1,138**	**3,792**	**2,342**
Duty and similar items	(1,269)	(481)	(1,750)	(1,081)
Other cost of sales	(179)	(427)	(606)	(375)
Cost of sales	**(1,448)**	**(908)**	**(2,356)**	**(1,456)**
Gross profit	**1,206**	**230**	**1,436**	**886**
Distribution, advertising and selling costs	(262)	(220)	(482)	(298)
Amortisation of acquired intangibles	—	(30)	(30)	(19)
Other expenses	(12)	(329)	(341)	(210)
Administrative and other expenses	**(12)**	**(359)**	**(371)**	**(229)**
Operating profit/(loss) and Profit/(loss) before taxation	**932**	**(349)**	**583**	**359**
Taxation	(348)	134	(214)	(132)
Profit/(loss) for the year	**584**	**(215)**	**369**	**227**

Figures have been translated from U.S.$ into GBP using an exchange rate of £1:$1.6188 being the exchange rate prevailing as at 30 September 2014, the date of Imperial Group's 2014 audited financial statements.

Note 3. Reconciliation to the unaudited Adjusted Reynolds Business as at and for the 12 months ended 30 September 2014

Unaudited net assets statement of the Reynolds Business as at 30 September 2014

The unaudited net assets of the Acquired Assets owned by, or related to, the Reynolds Group at the date of this document (the **Reynolds Business**) as at 30 September 2014 are based on the combined balance sheet of the Reynolds Business as at 30 September 2014 extracted without material adjustment from the unaudited Reynolds Business Historical Financial Information incorporated by reference in this document, and adjusted to reflect the terms of the Asset Purchase Agreement and to reflect future arrangements under the Reciprocal Manufacturing Agreement (**RMA**).

A reconciliation is presented below:

	Reynolds Business as at 30 September 2014 $m	Adjustments $m	As Adjusted Reynolds Business as at 30 September 2014 $m
Non-current assets			
Property, plant and equipment	—	11	11
Deferred tax assets	142	(142)	—
	142	**(131)**	**11**
Current assets			
Inventories	118	—	118
Trade and other receivables	42	(42)	—
	160	**(42)**	**118**
Total assets	**302**	**(173)**	**129**
Current liabilities			
Trade and other payables	(411)	411	—
	(411)	**411**	**—**
Net (liabilities)/assets	**(109)**	**238**	**129**

The adjustments reflect the accounting for the Acquisition on the following basis:

a) As part of the Reciprocal Manufacturing Agreement, certain machinery and equipment owned by Reynolds, but not included in the Reynolds Business Historical Financial Information, will transfer to the Imperial Group. Accordingly, a *pro forma* adjustment has been included to recognise this asset ($11 million).

b) No trade and other receivables or trade and other payables (including Master Settlement Agreement, or **MSA**, accruals) are being acquired by the Imperial Group. They are therefore eliminated as an adjustment to the *pro forma* balance sheet.

c) Deferred tax assets relating to **MSA** accruals are also eliminated as an adjustment to the *pro forma* balance sheet, as these do not transfer as part of the Acquisition.

Unaudited Reynolds Business Income statement for the 12 months ended 30 September 2014

The unaudited income statement of the Reynolds Business for the 12 months ended 30 September 2014 is based on the unaudited combined income statement of the Reynolds Business for the nine months ended 30 September 2014, combined with the audited year ended 31 December 2013, after eliminating the unaudited nine months ended 30 September 2013 as follows:

	Reynolds Business for the 9 months ended 30 September 2014 $m	Reynolds Business for the year ended 31 December 2013 $m	Reynolds Business for the 9 months ended 30 September 2013 $m	Reynolds Business for the 12 months ended 30 September 2014 $m
Revenue	**1,974**	**2,800**	**(2,120)**	**2,654**
Duty and similar items	(942)	(1,347)	1,020	(1,269)
Other cost of sales	(125)	(183)	140	(168)
Cost of sales	**(1,067)**	**(1,530)**	**1,160**	**(1,437)**
Gross profit	**907**	**1,270**	**(960)**	**1,217**
Distribution, advertising and selling costs	(219)	(320)	243	(296)
Amortisation of acquired intangibles	—	(69)	69	—
Other expenses	(74)	(117)	85	(106)
Administrative and other expenses	**(74)**	**(186)**	**154**	**(106)**
Operating profit/Profit before taxation	**614**	**764**	**(563)**	**815**
Taxation	(227)	(293)	216	(304)
Profit for the period	**387**	**471**	**(347)**	**511**

The results to 30 September 2014 and 30 September 2013 are extracted without material adjustment from the unaudited historical financial information of the Reynolds Business, incorporated by reference in this document and the results to 31 December 2013 are extracted without material adjustment from the audited historical financial information of the Reynolds Business, incorporated by reference in this document.

The above results have then been adjusted to reflect the terms of the Asset Purchase Agreement to reflect future arrangements under the RMA as follows:

	Reynolds Business for the 12 months ended 30 September 2014 $m	Adjustments $m	As adjusted Reynolds Business for the 12 months ended 30 September 2014 $m
Revenue	**2,654**	**—**	**2,654**
Duty and similar items	(1,269)	—	(1,269)
Other cost of sales	(168)	(11)	(179)
Cost of sales	**(1,437)**	**(11)**	**(1,448)**
Gross profit	**1,217**	**(11)**	**1,206**
Distribution, advertising and selling costs	(296)	34	(262)
Amortisation of acquired intangibles	—	—	—
Other expenses	(106)	94	(12)
Administrative and other expenses	**(106)**	**94**	**(12)**
Operating profit/Profit before taxation	**815**	**117**	**932**
Taxation	(304)	(44)	(348)
Profit for the year	**511**	**73**	**584**

The adjustments reflect the accounting for the Acquisition on the following basis:

a) Under the terms of the **RMA**, for a transitional period, Reynolds will exclusively manufacture and supply Imperial Group's requirements for *Winston*, *Kool* and *Salem* brand products at cost plus 10 per cent. (excluding leaf costs). Accordingly, cost of sales has been adjusted by U.S.$11m to reflect the additional cost of producing the brands being acquired by the Imperial Group under this arrangement.

b) Selling costs of U.S.$34 million relating to sales staff who, whilst attributable to the brands which are being acquired by the Imperial Group, are not transferring as part of the deal and will not be incurred on a go-forward basis and are eliminated from the *pro forma* income statement.

c) Corporate allocations of U.S.$94 million from Reynolds, whilst attributable to the brands which are being acquired by the Imperial Group, will not be incurred on a go-forward basis and are eliminated from the *pro forma* income statement.

d) Taxation on the above adjustments at the Reynolds Business effective rate of tax of 37%.

Post transaction, the services and resultant costs eliminated in adjustments (b) and (c) will be performed by a combination of the Lorillard Business and the Imperial Group's existing U.S. operations.

Note 4. Reconciliation to the unaudited Adjusted Lorillard Business as at and for the 12 months ended 30 September 2014

Unaudited net assets statement of the Lorillard Business as at 30 September 2014

The net assets of the Acquired Assets owned by, or relate to, the Lorillard Group at the date of this document (the **Lorillard Business**) as at 30 September 2014 are based on the combined balance sheet of the Lorillard Business as at 30 September 2014, extracted without material adjustment from the unaudited historical financial information of the Lorillard Business, incorporated by reference in this document, and adjusted to reflect the terms of the Asset Purchase Agreement and **RMA**.

A reconciliation is presented below:

	Lorillard Business as at 30 September 2014 $m	Adjustments $m	As adjusted Lorillard Business as at 30 September 2014 $m
Non-current assets			
Intangible assets	166	—	166
Property, plant and equipment	302	(107)	195
Retirement benefit assets	69	—	69
Deferred tax assets	452	(434)	18
Other	2	(2)	—
	991	**(543)**	**448**
Current assets			
Inventories	737	(586)	151
Trade and other receivables	72	(72)	—
	809	**(658)**	**151**
Total assets	**1,800**	**(1,201)**	**599**
Current liabilities			
Trade and other payables	(1,336)	1,336	—
	(1,336)	1,336	—
Non-current liabilities			
Retirement benefit obligations	(116)	—	(116)
Provisions	(22)	—	(22)
	(138)	**—**	**(138)**
Total liabilities	**(1,474)**	**1,336**	**(138)**
Net assets	**326**	**135**	**461**

The adjustments reflect the accounting for the Acquisition on the following basis:

a) As part of the Reciprocal Manufacturing Agreement, certain machinery and equipment owned by Lorillard, will transfer to Reynolds. Accordingly, a *pro forma* adjustment has been included to derecognise this asset ($107 million).

b) Inventory relating to the brands being retained by Reynolds is not being acquired by the Imperial Group. Leaf inventory to be acquired at the date of completion of the Acquisition will be calculated based on the relative volumes of the *Maverick* brand and the brands being retained by Reynolds at that date. Therefore, U.S.$586 million of inventory, estimated as the proportion of inventory at 30 September 2014 relating to retained brands, has been eliminated as an adjustment to the *pro forma* balance sheet.

c) No trade and other receivables, other non-current assets or trade and other payables are being acquired by the Imperial Group. They are therefore eliminated as an adjustment to the *pro forma* balance sheet.

d) Deferred tax assets of $434 million, relating to MSA accruals (U.S.$469 million asset) and other items ($35 million liability) which do not transfer as part of the Acquisition, are eliminated as an adjustment to the *pro forma* balance sheet. The remaining deferred tax asset relates to pensions (U.S.$18 million).

Unaudited Lorillard Business Income statement for the 12 months ended 30 September 2014

The unaudited income statement of the Lorillard Business for the 12 months ended 30 September 2014 is based on the unaudited combined income statement of the Lorillard Business for the nine months ended 30 September 2014, combined with the audited year ended 31 December 2013, after eliminating the unaudited nine months ended 30 September 2013 and, as follows:

	Lorillard Business for the 9 months ended 30 September 2014 $m	Lorillard Business for the year ended 31 December 2013 $m	Lorillard Business for the 9 months ended 30 September 2013 $m	Lorillard Business for the 12 months ended 30 September 2014 $m
Revenue	**5,876**	**7,900**	**(5,938)**	**7,838**
Duty and similar items	(2,671)	(3,581)	2,687	(3,565)
Other cost of sales	(469)	(656)	497	(628)
Cost of sales	**(3,140)**	**(4,237)**	**3,184**	**(4,193)**
Gross profit	**2,736**	**3,663**	**(2,754)**	**3,645**
Distribution, advertising and selling costs	(845)	(1,194)	912	(1,127)
Acquisition costs	—	(4)	4	—
Amortisation of acquired intangibles	(22)	(12)	4	(30)
Other expenses	(207)	(298)	176	(329)
Administrative and other expenses	**(229)**	**(314)**	**184**	**(359)**
Operating profit/Profit before taxation	**1,662**	**2,155**	**(1,658)**	**2,159**
Taxation	(639)	(817)	628	(828)
Profit for the year	**1,023**	**1,338**	**(1,030)**	**1,331**

The above results have then been adjusted to reflect the terms of the Asset Purchase Agreement to reflect future arrangements under the RMA as follows:

	Lorillard Business for the 12 months to 30 September 2014 $m	Adjustments $m	As adjusted Lorillard Business for the 12 months to 30 September 2014 $m
Revenue	**7,838**	**(6,700)**	**1,138**
Duty and similar items	(3,565)	3,084	(481)
Other cost of sales	(628)	201	(427)
Cost of sales	**(4,193)**	**3,285**	**(908)**
Gross profit	**3,645**	**(3,415)**	**230**
Distribution, advertising and selling costs	(1,127)	907	(220)
Amortisation of acquired intangibles	(30)	—	(30)
Other expenses	(329)	—	(329)
Administrative and other expenses	**(359)**	**—**	**(359)**
Operating profit/(loss) and Profit/(loss) before taxation	**2,159**	**(2,508)**	**(349)**
Taxation	(828)	962	134
Profit/(loss) for the year	**1,331**	**(1,546)**	**(215)**

The adjustments reflect the accounting for the Acquisition on the following basis:

a) Under the terms of the RMA, for a transitional period, the Imperial Group will exclusively manufacture and supply Reynolds' requirements for *Newport* brand products at cost plus 10 per cent. (excluding leaf costs). Accordingly, Lorillard revenue of U.S.$6,700 million, duty of U.S.$3,084 million and leaf costs of U.S.$201 million have been adjusted to reflect these agreed terms.

b) Certain distribution and advertising costs totalling U.S.$907 million relating to the *Newport* brand will not be incurred going forward. Accordingly, these have been eliminated from the *pro forma* income statement.

c) Taxation on the above adjustments at the Lorillard Business effective rate of tax of 38%.

Note 5. Acquisition Accounting

The Acquisition Accounting adjustments reflect the accounting for the Acquisition on the following basis:

Net assets adjustments

a) The adjustment reflects goodwill and intangible assets arising on the Acquisition and has been accounted for using the acquisition method of accounting. The excess of consideration over the book value acquired has been reflected as goodwill and intangible assets. No account has been taken of any fair value adjustments which may arise upon the Acquisition as any such fair value adjustments cannot be accurately and reliably estimated at this time. The amount of goodwill and other intangible assets has been calculated as follows:

	Note	£m
Cash consideration	(i)	4,359
Less net assets acquired of the as adjusted Reynolds & Lorillard Businesses	(ii)	(365)
Goodwill and intangible assets		**3,994**

i) Reflecting total cash consideration of U.S.$7,056 million payable to Reynolds[1].

ii) Reflecting the net assets of £365 million ($590 million) acquired of the Reynolds Business and Lorillard Business, as presented in note 2 above.

b) Draw down of a Revolving Credit Facility to settle the cash consideration of £4,359 million (U.S.$7,056 million) payable to Reynolds, and £20 million in additional transaction fees, totalling £4,379 million.

Income statement adjustments

a) Additional transaction fees of £20 million, and a related tax benefit of £4 million.

b) Additional finance charge of £103m reflecting the cost of the Revolving Credit Facility referred to above, and a related tax benefit of £23million (at enacted U.K. corporate tax rates for the year of 22%).

c) No adjustment has been made to reflect the trading results of the Imperial Group, the Reynolds Business or the Lorillard Business, since 30 September 2014.

All of the adjustments described in the above notes to the Unaudited Pro Forma Income Statement will have a continuing impact, with the exception of the adjustment in (a) in relation to transaction costs of £20 million.

[1] Translated from U.S.$ into GBP using an exchange rate of £1:$1.6188 being the exchange rate prevailing as at 30 September 2014, the date of Imperial Group's 2014 audited financial statements.

Note 6. Unaudited adjusted metrics

The following adjusted metrics are presented to enhance the understanding of the financial information presented for the Acquired Assets:

Unaudited reconciliation from operating profit to adjusted EBITDA

	As adjusted Reynolds Business for the 12 months ended 30 September 2014 $m	As adjusted Lorillard Business for the 12 months ended 30 September 2014 $m	Acquired Assets for the 12 months ended 30 September 2014 $m	Acquired Assets for the 12 months ended 30 September 2014 £m
Operating profit/(loss) and Profit/(loss) before taxation	932	(349)	583	359
Depreciation	—	47	47	29
Amortisation	—	31	31	20
EBITDA	**932**	**(271)**	**661**	**408**
Volume adjustment offset	—	77	77	48
Adjusted EBITDA	**932**	**(194)**	**738**	**456**

A charge of U.S.$47m in the 12 months to September 2014 relates to the depreciation of fixed assets currently owned by Lorillard that will be transferred to Imperial as part of the Acquisition. Amortisation charges of U.S.$31m in the 12 months to 30 September 2014 relate to the amortisation of brands and software being acquired from Lorillard.

Adjusted EBITDA reflects a non-recurring volume adjustment offset of U.S.$77m relating to the Initial State Settlements incurred by Lorillard in the 12 months to 30 September 2014.

Unaudited adjusted EBITDA for the Pro Forma Enlarged Group can be reconciled as follows:

£ million	Imperial Group for the year ended 30 September 2014 £m	Acquired Assets for the 12 months ended 30 September 2014 £m	Acquisition Accounting £m	*Pro Forma* Enlarged Group for the year ended 30 September 2014 £m
Operating profit/Profit before taxation	2,064	359	(20)	2,403
Depreciation[2]	252	29	—	281
Amortisation	668	20	—	688
EBITDA	**2,984**	**408**	**(20)**	**3,372**
Acquisition costs	13	—	20	33
Restructuring costs	305	—	—	305
Volume adjustment offset	—	48	—	48
Adjusted EBITDA	**3,302**	**456**	**—**	**3,758**

[2] Imperial Group depreciation of £252 million includes a £160 million depreciation charge and a £92 million impairment charge on fixed assets, mostly relating to the closure of the Nottingham site.

Unaudited reconciliation from Revenue to Net revenue

	As adjusted Reynolds Business for the 12 months ended 30 September 2014 $m	As adjusted Lorillard Business for the 12 months ended 30 September 2014 $m	Acquired Assets for the 12 months ended 30 September 2014 $m	Acquired assets for the 12 months ended 30 September 2014 £m
Revenue	2,654	1,138	3,792	2,342
Duty and similar items	(1,269)	(481)	(1,750)	(1,081)
Net Revenue	**1,385**	**657**	**2,042**	**1,261**

Unaudited Net Revenue (excluding logistics revenue) for the Pro Forma Enlarged Group can be reconciled as follows:

£ million	Imperial Group for the year ended 30 September 2014 £m	Acquired Assets for the 12 months ended 30 September 2014 £m	*Pro Forma* Enlarged Group for the year ended 30 September 2014 £m
Revenue (excluding logistics revenue)	19,656	2,342	21,998
Duty and similar items	(13,080)	(1,081)	(14,161)
Net Revenue (excluding logistics revenue)	**6,576**	**1,261**	**7,837**

Unaudited reconciliation from Gross profit to Brand contribution

	As adjusted Reynolds Business for the 12 months ended 30 September 2014 $m	As adjusted Lorillard Business for the 12 months ended 30 September 2014 $m	Acquired Assets for the 12 months ended 30 September 2014 $m	Acquired assets for the 12 months ended 30 September 2014 £m
Gross profit	1,206	230	1,436	886
Advertising and support	(227)	(80)	(307)	(190)
Brand contribution	**979**	**150**	**1,129**	**696**

Accountant's report on the unaudited pro forma financial information in relation to the Enlarged Group

The Directors
Imperial Tobacco Group PLC
121 Winterstoke Road
Bristol
BS3 2LL

06 February 2015

Dear Sirs

Imperial Tobacco Group plc (the "Company")

We report on the pro forma financial information (the "**Pro Forma Financial Information**") set out in the section titled "Pro Forma Financial Information" of the Imperial Tobacco Finance PLC and Imperial Tobacco Finance France SAS (together, the "**Issuers**") Prospectus dated 06 February 2015 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed acquisition of certain U.S. cigarette and e-cigarette brands and assets currently owned by Reynolds American Inc. and Lorillard, Inc. and the proposed issuance of Senior Notes might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ending 30 September 2014. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Issuers to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex II to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.4R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.1 of Annex IX to the PD Regulation, consenting to its inclusion in the Prospectus.

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Basis of opinion
We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion
In our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
b) such basis is consistent with the accounting policies of the Company.

Declaration
For the purposes of Prospectus Rule 5.5.4 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex IX to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

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