

27 April 2020**Imperial Brands PLC agrees sale of Worldwide Premium Cigar Business for €1,225 million with proceeds to be used to reduce debt**

Imperial Brands PLC ("Imperial") is pleased to announce it has agreed the sale of its worldwide premium cigar businesses ("Premium Cigars") to investment consortia of individual investors in two distinct transactions for a total consideration of €1,225 million (£1,074 million), which represents a multiple of 11.8x FY19 EBITDA on a standalone basis. The disposal reinforces Imperial's focus on simplifying its business and realising value for shareholders.

The sale multiple recognises the luxury nature of the businesses' products and their international growth profile. After adjusting for tax and other costs, the disposals are expected to realise net cash proceeds of around €1,094 million (£958 million). The proceeds will be used for debt reduction and will reduce September 2019 pro-forma net debt to EBITDA leverage by c 0.2 times.

Joint Interim Chief Executives Dominic Brisby and Joerg Biebernick said: "We are delighted to be able to announce the sale of Premium Cigars in the current challenging global environment. It has been a complex transaction involving joint venture partners and assets across multiple geographies and we would like to thank everyone involved for working so hard to get the deal agreed."

"This disposal reinforces our strategic ambition of becoming a leaner and more agile organisation and the proceeds will realise value for shareholders by reducing debt as part of our ongoing focus on active capital management."

"We believe we have found the right long-term owners for Premium Cigars; they are committed to investing in the business to maximise future growth opportunities and are well positioned to further develop operations internationally."

The sale will take place in two transactions documented under two sale agreements: one for the USA business ("Premium Cigar USA"); and another for the Rest of the World business ("Premium Cigar RoW").

In respect of the transactions:

- Gemstone Investment Holding Ltd will acquire Premium Cigar USA for a total consideration of €185 million (£162 million). This transaction is subject to the fulfilment of certain conditions, including customary antitrust and other regulatory clearances.
- Allied Cigar Corporation, S.L will acquire Premium Cigar RoW for a total consideration of €1,040 million (£912 million). This transaction is subject to the fulfilment of certain conditions, including customary antitrust and other regulatory clearances.
- The transactions are expected to close in the third quarter of calendar year 2020. The Premium Cigar RoW transaction includes the sale of the Dominican Republic handmade premium cigar factory which is expected to close in 2021.
- Of the Premium Cigar RoW transaction consideration, €88 million (£77 million) will be deferred for 12 months from close and €69 million (£61 million) will be deferred and contingent upon transfer of the Dominican Republic factory.

The Premium Cigar business contributed £80 million of profit before tax in the year to 30 September 2019. The business comprises assets that are wholly owned as well as investments in a number of joint ventures, which results in a different accounting treatment for the two asset types:

- The wholly owned assets represented £226 million of net revenue and £30 million of adjusted operating profit of the Africa, Asia and Australasia division for the year to 30 September 2019.
- Our investments in the Premium Cigar joint ventures are accounted for using the equity method and our share of the profit after tax is £50 million for the year to 30 September 2019.

Pro-forma earnings dilution in the financial year to 30 September 2019 is around 6 pence per share*. As at 30 September 2019, the gross assets of Premium Cigars were £1,287 million and net assets were £1,111 million. An update on asset values and expected adjustments to foreign exchange reserves resulting from the transaction will be provided on publication of Imperial's interim results for the six months to 31 March 2020.

Imperial is being advised by AZ Capital on the agreed sales of Premium Cigar USA and Premium Cigar RoW.

**Earnings dilution calculation based on FY19 reported results & assumes 100% of proceeds are used to reduce debt, reducing the need for further financing in the short term, based on an implied equivalent coupon of 2.75% in the current volatile market conditions.*

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Background on Premium Cigars

The business comprises assets purchased as part of Imperial's acquisition of Altadis in 2008, and the disposal consists of two transaction perimeters:

Premium Cigar US

- Tabacalera USA, which is responsible for the business' premium cigar operations in the US, the world's largest premium cigar market, including:
 - The assets and other property of Altadis USA, which is responsible for the distribution of premium cigars in the US;
 - Leading online retail platforms, including JR Cigar, cigar.com and Serious Cigars;
 - A specialist brick-and-mortar retailer, Casa de Montecristo, with 28 stores across the USA.

Premium Cigar RoW

- Cuban premium cigar interests, including:
 - A 50 per cent stake in Habanos S.A., which exports hand-made cigars from Cuba and is responsible for international marketing activities. Habanos products include world-renowned Cuban brands such as Cohiba, Montecristo and Romeo y Julieta.
 - A 50 per cent stake in Altabana S.L., which is responsible for the distribution of Cuban cigars worldwide through its network of over 20 subsidiary distributors.
 - A 50 per cent stake in Internacional Cubana de Tabaco, S.A., which is responsible for the manufacturing of Cuban premium machine-made cigars.
 - A 50 per cent stake in Promotora de Cigarros, S.L., which manages the distribution of the Cuban premium machine-made cigar portfolio worldwide.

- Other sales of premium cigar products through Tabacalera SA including:
 - Exclusive distribution of Cuban handmade cigars in Spain;
 - Non-Cuban premium handmade cigar sales operations outside the US, including Vegafina, the bestselling non-Cuban brand outside the US.

- Premium cigar manufacturing facilities in Honduras and Dominican Republic. The Dominican Republic factory manufactures both mass market cigars and premium cigars and will be physically separated to enable the sale of the premium cigar facilities. All employees, other than those involved with mass market cigars in the Dominican Republic factory, will transfer to the new owner Allied Cigar Corporation, S.L.

Cautionary Statement

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