



Imperial Brands Finance PLC

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

Imperial Brands Finance France SAS

(A société par actions simplifiée incorporated in France)

€15,000,000,000

Debt Issuance Programme

Irrevocably and unconditionally guaranteed by

Imperial Brands PLC

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

This Prospectus amends, restates and supersedes the offering circular dated 6 February 2015. 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 Brands Finance PLC (“Imperial Finance” or an “Issuer”) and Imperial Brands 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 Brands PLC (“Imperial Brands” or the “Guarantor”) and Imperial Tobacco Limited (“ITL”). Please see the Trust Deed dated 6 December 2016 (the “Trust Deed”) which is available for viewing by Noteholders as described on pages 100-101 for further details about the Imperial Brands guarantee and page 85 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 “UK 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 UK 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 (“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 Brands 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
NatWest Markets

Dealers

Banca IMI
Bank of China
BNP PARIBAS
Crédit Agricole CIB
Mizuho Securities
NatWest Markets
SMBC Nikko
UniCredit Bank

Banco Bilbao Vizcaya Argentaria, S.A.
BofA Merrill Lynch
Commerzbank
HSBC
MUFG
Santander Global Corporate Banking
Société Générale Corporate & Investment Banking

6 December 2016

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 6 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 US Securities Act of 1933, as amended (the “Securities Act”) and include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the US or to, or for the benefit of, US 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;
- “US dollars”, “US \$” and “\$” refer to US 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, stabilisation may not necessarily occur. 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 cease 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 30 September 2014 and the financial year ended 30 September 2015, 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 30 September 2014 and the financial year ended 30 September 2015, 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 30 September 2014 and the financial year ended 30 September 2015, respectively, together in each case with the audit report thereon;
- (iv) the interim non-consolidated financial statements of Imperial Finance for the six months ended 31 March 2016;
- (v) the preliminary consolidated annual financial statements of the Guarantor for the financial year ended 30 September 2016 contained in the Guarantor's statement of preliminary results for the 12 months ended 30 September 2016 on pages 21 to 32;
- (vi) the terms and conditions contained in the prospectus dated 6 February 2015 on pages 42 to 70 inclusive;
- (vii) the terms and conditions contained in the prospectus dated 21 February 2014 on pages 25 to 53 inclusive;
- (viii) the terms and conditions contained in the prospectus dated 15 December 2011 on pages 25 to 47 inclusive;
- (ix) the terms and conditions contained in the prospectus dated 16 December 2010 on pages 25 to 47 inclusive;
- (x) the terms and conditions contained in the prospectus dated 17 December 2009 on pages 26 to 48 inclusive;
- (xi) the terms and conditions contained in the prospectus dated 28 July 2008 on pages 17 to 22 inclusive;
- (xii) the terms and conditions contained in the prospectus dated 13 January 2006 on pages 15 to 29 inclusive; and
- (xiii) the terms and conditions contained in the prospectus dated 1 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 Brands Finance PLC
Imperial Brands Finance France SAS

Guarantor: Imperial Brands PLC

In addition to the guarantee provided by Imperial Brands 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”. 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 (trading as NatWest Markets)

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
MUFG Securities EMEA plc
Mizuho International plc
SMBC Nikko Capital Markets Limited
Société Générale
The Royal Bank of Scotland plc (trading as NatWest Markets)
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.

Issue Price:

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

Form of Notes:

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 – US 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 Options – Make-Whole Redemption by the Issuer (Issuer Make-Whole Call)” for further information.
Issuer Residual Call:	If specified in the applicable Final Terms, the relevant Issuer will have the option to redeem in whole, but not in part, the outstanding aggregate nominal amount of the Notes at the Residual Call Early Redemption Amount if such outstanding aggregate nominal amount is 20 per cent or less of the aggregate nominal amount of the Series issued. See “Terms and Conditions of the Notes – Redemption, Purchase and Options – Issuer Residual Call Option” 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 and BBB by S&P. 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 US, the European Economic Area, the United Kingdom, Italy, France and Japan. See “Subscription and Sale”.
US Selling Restrictions:	<p>The Issuers and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act.</p> <p>The Notes will be issued in compliance with US Treas. Reg. §1. 163-5(c)(2)(i)(D) (or any successor US Treasury regulation section including, without limitation, regulations issued in accordance with US Internal Revenue Service Notice 2012-20 or otherwise in connection with the US 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 US Treas. Reg. §1. 163-5(c)(2)(i)(C) (or any successor US Treasury regulation section including, without limitation, regulations issued in accordance with US Internal Revenue Service Notice 2012-20 or otherwise in connection with the US 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 US 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.</p>

Overview of the Group

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 Brands, a FTSE 100 company headquartered in Bristol in the UK, is the parent company of a dynamic international business specialising in tobacco and non-tobacco brands.

Since the formation of the Imperial Tobacco Company in 1901, dramatic changes have taken place in technology, commerce and society. Throughout these years the company has seen expansion, diversification and rationalisation, mergers, demergers and acquisitions. In late 1985, Hanson Trust (later Hanson PLC) made a successful bid to buy the Imperial Group (as it stood at that time) and the takeover was completed the following April. In October 1996, after ten years with Hanson PLC, Imperial Tobacco Group PLC was listed on the London Stock Exchange as a FTSE 100 company. Between 1997 and 2008 around £17 billion was spent on acquisitions, building the Group's position in profitable overseas markets and transforming it into the world's fourth largest international tobacco manufacturer.

By 2009, the Group had become an established international tobacco company with a track record of creating value for its shareholders. Following a ten-year period of intense industry consolidation, the Group remained one of just four international tobacco companies competing against each other on a global scale. The years since the turn of the decade have been characterised by high levels of illicit trade and increasing tobacco regulation, with smoking in public places ("SIPPs") bans becoming commonplace. In this context, and against the backdrop of one of the worst recessions in history, the Group's strategy was refocused to improve the quality of organic growth and strengthen the sustainability of the business.

In June 2015, following the acquisition by Reynolds American Inc. ("Reynolds") and Lorillard, Inc. ("Lorillard"), Imperial Brands and its wholly owned subsidiary, ITG Brands LLC ("ITG Brands") completed the acquisition (the "2015 US acquisition") of four US cigarette brands (Winston, Maverick, Kool and Salem) and the international rights to the e-vapour brand blu, and associated assets. The cigarette brands were acquired without historic product liabilities. The deal transformed the Group's presence in the US market, significantly enhancing its portfolio, market share and distribution coverage.

Imperial Tobacco Group PLC was renamed Imperial Brands PLC in February 2016. The change in name was made to reflect the breadth of the company's brands focus across its five distinct entities:

- Imperial Tobacco Limited's tobacco subsidiaries ("Imperial Tobacco")
- ITG Brands
- Tabacalera S.A. ("Tabacalera")
- Fontem Ventures B.V. ("Fontem")
- Compañía de Distribución Integral Logista Holdings, S.A. ("Logista").

Imperial Tobacco manufactures and markets the Group's tobacco portfolio. This portfolio offers a comprehensive range of cigarettes, fine cut and smokeless tobaccos, papers and cigars, and the brands are available in over 160 markets worldwide.

ITG Brands is the Group's dynamic business in the US, formed in 2015 to combine the former Commonwealth-Altadis operations with brands and assets acquired from Reynolds and Lorillard. ITG Brands is the third largest tobacco company in the US, which is the most profitable tobacco market in the world excluding China and a key Growth Market for Imperial Brands. The business is headquartered in Greensboro, North Carolina and offers a broad portfolio of well-known cigarette and mass market cigar brands.

Tabacalera is the Group's international premium cigar business, headquartered in Madrid, Spain. Its operations are split into three main areas. The international marketing of Cuban hand-made cigars is carried out through Corporacion Habanos S.A. ("Habanos"), in which the Group has a 50 per cent stake (the "Cuban Joint Venture"). Tabacalera USA oversees the premium cigar businesses in the US, which is the world's largest premium cigar market. Other sales of cigar products, including in the important Spanish and French markets, are managed separately.

Fontem is an innovative consumer goods company with a portfolio that includes a leading e-vapour brand, blu. Headquartered in Amsterdam, Netherlands, Fontem is the Group's non-tobacco subsidiary focused on developing new opportunities for sustainable revenue growth, including through the e-vapour brand blu. Sales of blu are focused on the US, UK, Italy and France, which are four markets that between them account for more than 70 per cent of the global e-vapour market. Fontem also continues to focus on developing and licensing a range of other patented technologies.

The Group owns a majority shareholding in Logista. This major logistics business in southern Europe is made up of two divisions: (i) tobacco logistics, which involves the transportation of tobacco products primarily in Italy, Spain, Portugal, France and Poland, and (ii) other logistics, which provides transport services for various industries including publishing and pharmaceuticals.

The Group's business is cash generative and for the financial year ending 30 September 2016, Imperial Brands' tobacco net revenue, distribution fees, Group reported operating profit and Group adjusted operating profit were £7,167 million, £809 million, £2,229 million and £3,541 million, respectively.

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 or 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.

As is common with most large organisations the Group is subject to general commercial risks; for example, geo-political and socio-economic developments, cyber-security breaches, failure of the Group's information technology infrastructure, deterioration in labour or union relations and any related disputes, failure to attract and/or retain key personnel, the cost of raw materials and the impact of competition. In addition, as with other multi-national organisations, a large amount of the Group's revenue is generated in markets outside the UK and the Group is therefore exposed to movements in foreign exchange rates which could impact the Group's financial results which are reported in sterling. The Group is also 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.

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

The Group may be adversely affected by any fall in consumer demand for the Group's 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 UK, Germany, Spain and the US, where the Group has significant operations, may be attributed to a variety of factors including, but not limited to, 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 decline in the demand for legitimate tobacco products may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

Demand for tobacco products may also be impacted over time by increased demand for next generation products. The market for next generation products, including e-vapour products, is still at an early stage of development, with competing technologies and evolving consumer preferences. Should the Group fail to

respond to developments in this product category in a timely manner or fail to execute as effectively as its competitors with relevant products, then the Group may not be able to compensate for the impact on demand and pricing for its tobacco products. Where the Group is able to respond to these developments it may still be exposed to factors that limit the success of the products including, but not limited to, government regulation, increases in duty and pricing of competing products. All of these may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The 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 taxes are evaded, and smuggled genuine products, is a significant and, in some cases, growing threat to the legitimate tobacco industry. Illicit trade may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL in addition to damaging brand equity and undermining supply chain distribution investments, with potential reputational damage.

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 to detect illegal trading of its tobacco products, these measures may not adequately protect the Group against increases in illicit trade. This may have an adverse effect on the reputation, revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

Increased regulation may have an adverse effect on the demand for the Group's products or may increase compliance costs

In addition to the general regulatory factors set out below, the Group may also be impacted by further specific regulatory actions in more specific industry sectors.

The advertising, sale and consumption of tobacco products have been subject to regulation from governments, influenced by 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 purchased, used or smoked. These restrictions have been introduced by regulation supplemented by voluntary agreements. One example of such regulation is the revised EU Tobacco Products Directive ("EUTPD"). For further discussion of the revised EUTPD, please see the "Regulatory Landscape" section. 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 ("WHO").

Regulatory initiatives affecting the tobacco industry that have been proposed, introduced or enacted include: restrictions or bans on advertising, marketing and sponsorship; 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; an interpretation of an EU ban on descriptors which extends to certain brand names; and requirements for the tracking and tracing of tobacco products. Recent years have seen increasing focus on 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. The Group, along with all other tobacco manufacturers, is sometimes excluded from consultation with regulators on these regulatory proposals.

In the US, the tobacco environment is regulated 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 US or elsewhere could therefore result in a substantial decline in the demand for tobacco products. Current or future restrictions or bans on product flavouring e.g. menthol, or to product packaging, may require manufacturers to review and adapt their product portfolio. Each of these may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL and could contribute to an increase in the illicit trade in tobacco products.

Any future Food and Drug Administration (“FDA”) regulation of menthol in cigarettes or public concerns that menthol cigarettes may pose greater health risks than non-menthol cigarettes may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL. Under the FDA’s substantial equivalence standard, manufacturers must compare products that were in the market as of 8 August 2016, to a product that was in the U.S. market on 15 February 2007. Failure to obtain FDA approval for a significant number of products combined with the FDA’s current restrictions on the introduction of new products, may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The states which are a party to the MSA (as defined below) have passed statutes requiring tobacco cigarette brands to be “certified” (approved for sale) by each state before they can be sold in that state. Decisions made by any state not to certify or to de-list brands, or by state decisions to take enforcement action (i.e. seizures or penalties) related to certification issues may have an adverse effect on the revenue, profits, financial condition or results of the Group, Imperial Brands and/or ITL.

E-vapour products are also subject to extensive regulation in many of the markets in which the Group operates and, in particular, by the FDA in the US and under the EUTPD in the EU.

It is not possible to predict the scope future of FDA regulations (or any other regulation of 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-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, Imperial Brands and/or ITL.

Furthermore, increased regulation, including the need for pre-market approvals by the FDA, may limit Imperial Brands’ 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. This may have an adverse effect on the future opportunities, revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

For further discussion of FDA regulation, please see the “Regulation in the US” section below.

For further discussion of regulation of e-vapour products please see the “Regulation of e-vapour products” section below.

The Group may be adversely affected by changes in taxation legislation (or its interpretation by taxation authorities) and, in particular, by any change to the excise duty status of tobacco products, as well as changes in payment obligations under certain settlement agreements

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 sales volumes. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

In many of the markets in which the Group operates, excise duty represents a substantial percentage of the retail price of tobacco products, 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. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

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, Imperial Brands and/or ITL.

Legislation relating to taxation and the outcome of claims and challenges by taxation authorities, whether as a result of tax audits or otherwise, in the jurisdictions in which the Group has operations may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

In the US, the Master Settlement Agreement ("MSA") is an agreement between tobacco manufacturers and 52 US states and territories. Substantial payment obligations under the MSA, under statutes enacted by states that are not parties to the MSA ("Equity Fee Statutes"), or under other agreements with the states of Mississippi, Florida, Texas and Minnesota ("State Settlement Agreements"), along with state certification requirements, may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

ITG Brands is a party to the MSA and to the State Settlement Agreement with Mississippi and makes annual payments under them. It is not a party to other State Settlement Agreements with Florida, Texas, and Minnesota. Payments under the MSA and under the State Settlement Agreements are required in perpetuity and based upon complex calculations.

In addition, Texas and Minnesota have passed Equity Fee Statutes that impose payments on distributors of cigarette brands of manufacturers that have not joined the State Settlements with those states, and Florida's legislature has considered passage of an Equity Fee Statute on several occasions in the past. Payments to Texas and Minnesota are made on ITG Brands' cigarette brands under those States' Equity Fee Statutes. The changes in existing Equity Fee Statutes or the passage of new Equity Fee Statutes may have an adverse impact on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The existence, nature, calculation and extent of payment and other obligations for the brands sold by ITG Brands under the MSA, the Equity Fee Statutes, and the other State Settlements Agreements cannot be predicted with certainty, and there can be no assurance that any such matters will not have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

For further information on the MSA and State Settlement Agreements, see "US litigation environment and State Settlement Agreements" below.

The Group operates in highly competitive markets

The Group's principal competitors include Philip Morris International Inc. ("Philip Morris"), British American Tobacco plc ("BAT"), Japan Tobacco Inc. ("JTI"), Altria Group Inc. ("Altria") and Reynolds American, Inc. ("Reynolds"). These companies may have greater financial resources than the Group. These companies also remain strong competitors in the markets in which the Group currently operates. Significant increases in the competitive activity of these companies or other local manufacturers could lead to further competition and pricing pressure on the Group's brands and reduce the profit margins and cash flows.

E-vapour products, having been recently introduced to market, are at an early stage of development and are evolving rapidly. Competition in the e-vapour industry is intense. The Group competes with many companies in the market for e-vapour products and the nature of the Group's competitors is varied as the market is highly fragmented. For instance, the Group's competitors include large companies, such as Philip

Morris, BAT, JTI, Altria and Reynolds, as well as smaller companies with similar product offerings. The method of distribution for many competing companies is predominantly over the internet, with only a small number of competitors currently having a significant presence at retail.

The 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 efforts to strengthen its brand equity.

Actions from the Group's competitors may also have an unfavourable impact on the Group's ability to meet its strategy of growing the Group organically and through acquisitions. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group is exposed to economic conditions in a number of European Union countries

The Group has significant exposure to economic conditions in a number of European Union countries. The exit of one or more countries from the Euro-zone or the European Union may impact consumer spending patterns. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

On 23 June 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union ("Brexit"). There are a number of uncertainties in connection with the future of the UK's relationship with the European Union, and the negotiation of the UK's exit terms is likely to take a number of years. The Group has concluded that Brexit does not in itself create new risks to the Group, but rather impacts on an individual basis upon a number of current risks (for example, foreign exchange rate exposure, changes in excise duty status and increase in illicit trade). However, until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine exactly the impact that the referendum, Brexit and/or any related matters may have on the business of the Group, Imperial Brands and/or ITL.

As such, no assurance can be given that such matters would not adversely affect the ability of the Issuers to satisfy their obligations under the relevant Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

The Group is exposed to the economic conditions and operating environments of the countries in which it operates as well as to the uncertainty of global economic conditions

The Group has significant exposure to economic conditions in the UK, Germany and France, which constituted 41 per cent of the Group's external revenue for the year ended 30 September 2016 (44 per cent for the year ended 30 September 2015). Following the 2015 US acquisition, the US has also become a significant country for the Group (accounting for 11 per cent of the Group's external revenue in the year ended 30 September 2016). The organic growth of the Group's business is underpinned by its positions in these and other key countries and is subject to global economic conditions. Any future declines in these markets, including due to adverse changes in economic conditions in these countries, may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The 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 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 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 supply chain, compliance with applicable regulations, its distribution capabilities or its cash flows. These developments could also lead to loss of property or equipment that are critical to the Group's business in certain markets. This may adversely affect the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

As a result of its activities in developing markets, the Group currently is, and may in the future be, a party to litigation in these markets. The outcome of legal proceedings in these jurisdictions may be particularly uncertain, as legal, administrative and judicial systems or judiciaries in some developing markets can be unpredictable. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group may fail to deliver its strategy for growth and other strategic change initiatives

Historically, the Group has engaged in acquisitions that have been complementary to the organic growth of the Group. The Group's strategy for growth is now more heavily focussed on achieving organic expansion whilst considering any potential acquisitions that may arise.

Failure to manage organic growth may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL. The key risks to achieving organic growth are covered by the other risks separately disclosed in this "Risk Factors" section.

Additionally, in order to support its strategic objectives the Group may be required to undertake other material initiatives, such as change or cost optimisation programmes. Failure to manage such programmes effectively may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

Suitable acquisition or investment opportunities may be limited and an inability to complete those transactions successfully may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL. In addition, if the Group is unable to secure the necessary financing, it may not be able to support growth through acquisition. 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 ability to grow by this route. This could have an adverse effect on the revenue, profits, financial condition or results of the Group, Imperial Brands and/or ITL.

Any proposed acquisitions would require the attention of management, and might divert other resources away from organic growth. The Group's failure to integrate and manage acquired businesses effectively may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

Furthermore, there can be no assurance that the Group will be able to identify all actual or potential liabilities of a business prior to its acquisition. If the Group acquires a business or assets which result in the Group assuming unforeseen liabilities in respect of which it has not obtained contractual protections or for which protection is not available, this may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group may not fully be able to protect or retain its intellectual property rights or utilise intellectual property of other parties in the development of new products

The Group relies on trademarks, patents, registered designs, copyrights and trade secrets. The Group attempts to protect its intellectual property rights, in the UK, the US 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 have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

Following the 2015 US acquisition, the Group acquired various related intellectual property rights. This has increased the exposure of the 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 US market, and regardless of the outcome of any claims, the Group may incur additional costs in defending its intellectual property rights. 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 Group, Imperial Brands and/or ITL.

In the development of new products, particularly in the e-vapour category, the Group may wish to use technology already subject to patent, registered design or other intellectual property rights held by others.

Failure to obtain rights to access the intellectual property of other parties may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group conducts business in countries subject to international sanctions

Some of the countries in which the Group does business or with whom it has or will have commercial dealings are subject to international sanctions including Cuba and 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 Venture which manufactures, markets, distributes and sells cigars manufactured in Cuba.

The Group seeks 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 US Cuban Assets Control Regulations and by the US 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 from doing business in, or from having commercial dealings with, certain jurisdictions, including Cuba. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

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, it may be harder to do so in such markets. Furthermore, the 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 are subject to international sanctions, notwithstanding that the Group's activities comply with applicable international sanctions and regardless of the materiality of the Group's operations in such countries to its operations or financial condition. Any such reaction may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL. Given the enhanced profile in the US following the 2015 US acquisition, any adverse public reaction may have a greater impact on the Group. The Group's activities in the countries subject to international sanctions could also restrict the sources of funding available to the Group. International sanctions may also limit the Group's ability to use existing funds to finance its operations in certain countries. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group may be subject to investigation for alleged abuse of its market position in certain countries

The Group has significant market positions in certain countries in which it operates, including the UK, Germany, France, Spain, the US and Australia. The 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 endeavours to comply 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 Group is subject will not result in actions being brought against members of the Group or that any such investigations or publicity will not have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

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

The Group's products may become contaminated 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 for example, as a result of an accident during the manufacturing process or deliberately with malicious intent. 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 competitors may substantially increase their market share which would subsequently be difficult and costly to regain.

Should the Group's products become contaminated, the Group may be subject to claims in respect of such contamination that may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL. In addition, significant costs may be incurred in recalling products from the market.

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

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 its products, including tobacco products and e-vapour products, will be filed against the Group in the future.

The damages sought in any such claims could be significant, and the Group may not be successful in defending all of the claims that may arise. In addition, regardless of the outcome of any litigation, the Group would incur costs (and need to devote management time to) defending any claims which it would not be able to recover fully, irrespective of whether it were successful in defending such claims. This may have an adverse effect on the reputation, revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

To the extent that the Group's assessment as to the likely outcome of any claim does not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be affected, with an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

In the US, such claims could be brought in federal, state or local courts, or by way of enforcement actions, and by individuals, by a class or by way of group action by a number of parties (whether in actions in which a class has been certified (or in which plaintiffs 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). The claims could relate, inter alia, to personal injury, addiction, death, costs of providing healthcare (including cost recovery actions) and costs of court-supervised health monitoring programmes.

An unfavourable outcome or settlement of any pending or future smoking and health-related or other litigation may have an adverse effect on the reputation, revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL. There can also be no assurance that legal aid such as attorney's fees or other funding will continue to be denied to plaintiffs in smoking and health-related or other litigation in any jurisdiction in the future. If future plaintiffs are able to obtain legal aid or funding to finance their litigation against the Group, or such actions are otherwise made easier, this may increase the number of claims and claimants' likelihood of prevailing on such claims which may have an adverse effect on the reputation, revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

Verdicts in favour of plaintiffs, or the settlement of the relevant cases, whether by the Group or other tobacco companies, could also encourage the commencement of new actions and could have adverse effects on the ability of the Group to prevail in other smoking and health litigation. Such unfavourable verdicts could also have an impact on market conditions which may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

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

In addition to smoking and health-related litigation and other judicial matters, the Group is subject to regulatory investigations, claims, lawsuits and other proceedings (including in relation to taxation) 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 results of operations in any future period. A substantial judgment may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group is exposed to foreign exchange rate risk

The Group is exposed to movements in foreign exchange rates due to its overseas subsidiaries, its commercial trading transactions denominated in foreign currencies and foreign currency cash deposits, borrowings and derivatives. For significant acquisitions of overseas companies, 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 30 September 2016, 84 per cent of the Group's external revenue was generated in markets outside the UK (82 per cent in the year ended 30 September 2015). Certain sales in these markets are invoiced in currencies other than the functional currency of the selling company.

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

The Group has investments in foreign entities which operate in countries whose currency is different from sterling (mainly in the European Union, as well as in the US, Morocco, Russia, Cuba and Australia). Consequently, the Group is exposed to the translation of the results of overseas subsidiaries into sterling, as well as to the impact of trading transactions in foreign currencies, and this exposure has increased following the 2015 US acquisition. Significant fluctuations in foreign exchange rates, such as those experienced following the outcome of the UK's referendum on membership of the EU, may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group is exposed to interest rate fluctuations

The Group is exposed to fluctuations in interest rates on its borrowings and surplus cash balances. The more material risk is in respect of borrowings. As 29 per cent of the Group's net debt (after adjusting for the effect of interest rate derivatives) outstanding as at 30 September 2016 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 30 September 2016, the Group had reported net debt of £13,319 million (£11,950 million at 30 September 2015). Of this, approximately 56 per cent was denominated in euro and 44 per cent in US dollars. Accordingly, the Group's financial results as at 30 September 2016 were exposed to gains or losses arising from fluctuations in interest rates relating to euro and US dollars. Significant fluctuations in interest rates may have an adverse effect on the revenue, profits, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group has significant borrowings, which may impair operational and financial flexibility

The Group has a significant amount of indebtedness and debt service obligations, which may impair both the Group's operating and financial flexibility and could adversely affect the Group's revenue, profits, business, financial condition or results. Limited ability to borrow additional funds may reduce the Group's flexibility in reacting to competitive or industry pressures or opportunities. As at 30 September 2016, the Group had reported net debt of £13,319 million (£11,950 million at 30 September 2015).

The Group's substantial indebtedness could potentially cause the 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 for discretionary capital expenditure, acquisitions and other discretionary expenditure. The 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 operates; place the Group at a competitive disadvantage compared to its competitors that are currently less leveraged than the

Group; and increase the Group's vulnerability to both general and industry-specific adverse economic conditions. This may have an adverse effect on the revenue, profits, business, financial conditions or results of the Group, Imperial Brands and/or ITL.

The Group's debt facilities, as is usual for debt facilities of such nature, contain a number of financial, operating and other obligations that may limit its operating and financial flexibility. The Group's ability to comply with these obligations will depend on the future performance of the Group, Imperial Brands and/or ITL.

The 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 credit ratings could increase this risk

The Group currently uses funds made available through various sources of financing, primarily issuances of capital markets debt, bank loan financing and euro commercial paper ("ECP"). 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 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 credit ratings are downgraded, the marketability and trading value of the Notes may be materially diminished, and the Group may not be able to obtain new sources of financing and/or such new sources of financing, together with the Group's existing financing sources, may be at higher costs. This may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

Furthermore, the Group may be unable to refinance its 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 borrowing costs and may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group has exposure to external counterparties

The Group has a number of key customers under contractual arrangements (and a number not under contract) which have relatively short durations and termination periods. The loss of any of these key customers, or their inability to pay material amounts owed, may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group has 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 such funding, repayment of cash deposits and performance under derivative financial transactions may be reduced due to the Group's counterparties being unable to honour their commitments in full or in part. The Group's exposure to these external financial counterparties may have an adverse effect on the profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group is exposed to tobacco leaf price fluctuations and inflation

The Group has limited involvement in the cultivation of tobacco leaf and its 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 may be unable to pass on to customers. The Group is dependent on managing macro financial risks, including fluctuations and/or inflation in the price of tobacco leaf and commodity prices. Failure to manage these financial risks may have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

The Group may be required to make significant contributions to one or more of its retirement benefit schemes

The Group operates a number of retirement benefit schemes for its employees, including both defined benefit and defined contribution schemes. The Group's three principal schemes are defined benefit schemes and are operated by Imperial Tobacco Limited in the UK, Reemtsma Cigarettenfabriken GmbH in Germany and ITG Brands Hourly scheme in the US. These schemes represent 65 per cent, 11 per cent and 7 per cent of the Group's total retirement benefit obligations and 44 per cent, 17 per cent and 11 per cent of the current service cost respectively. The largest of the three defined benefit schemes, the Imperial Tobacco Pension Fund (ITPF), is currently undergoing a triennial actuarial valuation (as at 31 March 2016) and it is expected that contributions to the ITPF will increase. The contributions paid to the ITPF are set every three years by the scheme actuary – an external consultant appointed by the trustees. The contributions required will depend on, amongst other factors, the assessment of risk in the ITPF, the expected returns on the assets held by the ITPF, the strength of the Group's covenant and its ability to continue to support the ITPF, the longevity expectations of scheme members, the results of the funding assessment of the ITPF on an on-going basis and the expected cost of securing the benefits if the ITPF were to be discontinued. A significant future funding requirement could have an adverse effect on the revenue, profits, business, financial condition or results of the Group, Imperial Brands and/or ITL.

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 in, and the market value of, the Notes since the relevant Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the relevant issuer. 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.

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.

Any early redemption at the option of the Relevant Issuer, if provided for in any Final Terms for a particular issue of Notes, could cause the yield received by Noteholders to be considerably less than anticipated.

The Final Terms for a particular issue of Notes may provide for early redemption at the option of the Issuer including an Issuer Residual Call Option as described in Condition 6(f), and a Make-Whole Redemption by the Issuer as described in Condition 6(e). As a consequence, the yields received upon redemption may be lower than expected, and the redemption price of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. In such a case, part of the capital invested by the Noteholder may be lost, so that the Noteholder would not receive the total amount of the capital invested.

In addition, investors that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than the redeemed Notes.

The existence of these early redemption options in a particular Series of Notes could limit the market value of such Notes.

In particular, with respect to the Issuer Residual Call Option (Condition 6(f)), there is no obligation on the Issuer to inform investors if and when the outstanding aggregate nominal amount of the Notes is 20 per cent or less of the aggregate nominal amount of the Series issued, and the Relevant Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Issuer Residual Call Option by the Issuer, the Notes may have been trading significantly above the redemption price, thus potentially resulting in a loss of capital invested.

Potential Conflicts of Interest

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

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 for the Notes 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 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 financing, 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.

Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantor and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

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 positions in securities, including potentially the Notes issued under the Programme. Any such 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 December 2016 between Imperial Brands Finance PLC (an “Issuer”), Imperial Brands Finance France SAS (an “Issuer” and together with Imperial Brands Finance PLC, the “Issuers”), Imperial Brands 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 December 2016 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(g)) 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.

Unless otherwise stated in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(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).

Unless otherwise stated in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(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, Optional Redemption Amounts, Sterling Make-Whole Redemption Amounts, Non-Sterling Make-Whole Redemption Amounts and Residual Call Early 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, Optional Redemption Amount, Sterling Make-Whole Redemption Amount, Non-Sterling Make-Whole Redemption Amount or Residual Call Early 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, Optional Redemption Amount,

Sterling Make-Whole Redemption Amount, Non-Sterling Make-Whole Redemption Amount or Residual Call Early 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:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” 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 D₁ is greater than 29, in which case D₂ 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:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” 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 D₂ 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:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

“D₁” 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 D₁ will be 30; and

“D₂” 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 D₂ 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 19 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), 6(f) or 6(g), 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 Brands Finance PLC or France where the Issuer is Imperial Brands 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 8 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) *Issuer Residual Call Option*

If Issuer Residual Call is specified as being applicable in the applicable Final Terms and, at any time, the outstanding aggregate nominal amount of the Notes is 20 per cent or less of the aggregate nominal amount of the Series issued, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 and not more than 60 days’ notice to the Trustee and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable) at the Residual Call Early Redemption Amount together, if appropriate, with interest accrued to the date fixed for redemption.

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(f).

(g) *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(g)(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(g)(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(g)(ii)).

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 6(g)(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(g)(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(g)(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(g)(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(g)(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(g)(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(g)(ii) shall be construed accordingly.

(h) 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. If the Issuer is Imperial Brands Finance France SAS, any Notes purchased by it may be held and re-sold in accordance with Articles L.213-1A and D.213-1A of the French Code Monétaire et Financier for the purpose of enhancing the liquidity of the Notes.

(i) 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.

(j) 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 US 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 US*

Notwithstanding the foregoing, if any Bearer Notes are denominated in US 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 US 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 US 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 US 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 and (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.

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 US 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 unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon(s) (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired 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) 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) 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.

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, Residual Call Early 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 Brands Finance PLC) or France (if the relevant Issuer named in the applicable Final Terms is Imperial Brands 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*: to the extent permitted by applicable law, 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 arm's 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 6 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 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, the applicable Final Terms will also indicate 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 – US 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-US 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 US 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, Luxembourg (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-US 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. 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 Brands Finance PLC (“Imperial Finance”)

Imperial Finance was incorporated as a private company with limited liability under the laws of England and Wales on 14 June 1996. It was re-registered on 21 October 1997 as a public company limited by shares within the meaning of the Companies Act 1985 following a special resolution of its members on 20 October 1997 on 19 February 2016, the company was renamed Imperial Brands Finance PLC from Imperial Tobacco Finance PLC.

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 Brands. 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 Brands with no business operations of its own, other than advancing funds to, receiving funds from, and providing treasury services for, Imperial Brands 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, Landshire Estates Ltd, and Landshire Cider Ltd, an LLP member of Future Fuels No. 1 LLP, Cobalt Data Centre 2 LLP, Green Power Plant LLP, and an LP Member of Invicta Martineau Place LP. 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 Brands Finance France SAS (“Imperial Finance France”)

Imperial Finance France was incorporated as a “*société par actions simplifiée (SAS)*” under the laws of France on 23 December 1999. It was then converted into a “*Société en nom collectif (SNC)*” by a decision of the shareholders dated 31 May 2002; then converted again into a “*Société par actions simplifiée*” by a decision of the sole shareholder dated 20 May 2014. Imperial Finance France was previously known as Altadis Financial Services SAS. On 10 February 2016 the company was renamed Imperial Brands Finance France SAS from Imperial Tobacco Finance France SAS. Its registered office is at 143 boulevard Romain Rolland, 75685 Paris Cedex 14, France. It is registered in France with the Trade and Companies Registry of Paris under company number 428736458.

Imperial Finance France is a direct wholly-owned subsidiary of SEITA, which is an indirect wholly-owned subsidiary of Imperial Brands. 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 Brands with no business operations of its own, other than advancing funds to, receiving funds from, and providing treasury services for, Imperial Brands and its subsidiaries. Imperial Finance France has no subsidiaries of its own.

The Director of Imperial Finance France is as follows:

Name	Title
SEITA	President

The business address of the President 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 President and/or its private interests and other duties.

Imperial Brands PLC (“Imperial Brands”)

Overview

Imperial Brands, a FTSE 100 company headquartered in Bristol in the UK, is the parent company of a dynamic international business specialising in tobacco and non-tobacco brands.

Since the formation of the Imperial Tobacco Company in 1901, dramatic changes have taken place in technology, commerce and society. Throughout these years the company has seen expansion, diversification and rationalisation, mergers, demergers and acquisitions. In late 1985, Hanson Trust (later Hanson PLC) made a successful bid to buy the Imperial Group (as it stood at that time) and the takeover was completed the following April. In October 1996, after ten years with Hanson PLC, Imperial Tobacco Group PLC was listed on the London Stock Exchange as a FTSE 100 company. Between 1997 and 2008 around £17 billion was spent on acquisitions, building the Group’s position in profitable overseas markets and transforming it into the world’s fourth largest international tobacco manufacturer.

By 2009, the Group had become an established international tobacco company with a track record of creating value for its shareholders. Following a ten-year period of intense industry consolidation, the Group remained one of just four international tobacco companies competing against each other on a global scale. The years since the turn of the decade have been characterised by high levels of illicit trade and increasing tobacco regulation, with SIPP bans becoming commonplace. In this context, and against the backdrop of one of the worst recessions in history, the Group’s strategy was refocused to improve the quality of organic growth and strengthen the sustainability of the business.

In June 2015, following the acquisition by Reynolds and Lorillard, Imperial Brands and its wholly owned subsidiary, ITG Brands completed the 2015 US acquisition. The cigarette brands were acquired without historic product liabilities. The deal transformed the Group’s presence in the US market, significantly enhancing its portfolio, market share and distribution coverage.

Imperial Tobacco Group PLC was renamed Imperial Brands PLC in February 2016. The change in name was made to reflect the breadth of the company’s brands focus across its five distinct entities:

- Imperial Tobacco
- ITG Brands
- Tabacalera
- Fontem
- Logista

Imperial Tobacco manufactures and markets the Group’s tobacco portfolio. This portfolio offers a comprehensive range of cigarettes, fine cut and smokeless tobaccos, papers and cigars, and the brands are available in over 160 markets worldwide.

ITG Brands is the Group’s dynamic business in the US, formed in 2015 to combine the former Commonwealth-Altadis operations with brands and assets acquired from Reynolds and Lorillard. ITG Brands is the third largest tobacco company in the US, which is the most profitable tobacco market in the world excluding China and a key Growth Market for Imperial Brands. The business is headquartered in Greensboro, North Carolina and offers a broad portfolio of well-known cigarette and mass market cigar brands.

Tabacalera is the Group’s international premium cigar business, headquartered in Madrid, Spain. Its operations are split into three main areas. The international marketing of Cuban hand-made cigars is carried out through the Cuban Joint Venture. Tabacalera USA oversees the premium cigar businesses in the US, which is the world’s largest premium cigar market. Other sales of cigar products, including in the important Spanish and French markets, are managed separately.

Fontem is an innovative consumer goods company with a portfolio that includes a leading e-vapour brand, blu. Headquartered in Amsterdam, Netherlands, Fontem is the Group's non-tobacco subsidiary focused on developing new opportunities for sustainable revenue growth, including through the e-vapour brand blu. Sales of blu are focused on the US, UK, Italy and France, which are four markets that between them account for more than 70 per cent of the global e-vapour market. Fontem also continues to focus on developing and licensing a range of other patented technologies.

The Group owns a majority shareholding in Logista. This major logistics business in southern Europe is made up of two divisions: (i) tobacco logistics, which involves the transportation of tobacco products primarily in Italy, Spain, Portugal, France and Poland, and (ii) other logistics, which provides transport services for various industries including publishing and pharmaceuticals.

The Group's business is cash generative and for the financial year ending 30 September 2016, Imperial Brands' tobacco net revenue, distribution fees, Group reported operating profit and Group adjusted operating profit were £7,167 million, £809 million, £2,229 million and £3,541 million, respectively.

Strategic Objectives

The Group has a diversified geographic profile and multi-product and multi-brand portfolio.

The Group's strategy aims to maximise sales, cost and cash opportunities 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 by building the contribution of brands with the strongest equity (its Growth and Specialist Brands), supported by new launches from Fontem;
- Developing its geographic footprint with a strategic focus on share and profit performance in its Returns Markets and Growth Markets and a clear strategy for growth in the US Market;
- Managing its cost base to improve efficiencies; and
- Embedding stronger capital discipline to manage working capital more effectively and achieve high cash conversion.

During 2016, the Board and senior leadership team spent time reviewing the Group's strategy for creating shareholder value. This reinforced the strength of the Group's strategy and highlighted opportunities to drive even greater focus on the Group's strategic priorities: strengthening the Group's portfolio, developing the Group's footprint, optimising the Group's cost base and embedding capital discipline. To support the delivery of further quality revenue growth the Group will increase investment in our Growth and Specialist Brands in key markets going forward. Investments will be prioritised and focused on areas where the Group has a proven track record of generating quality revenue growth, such as building brands and customer engagement

Products and services

Tobacco and Non-Tobacco

Imperial Brands holds 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, through Fontem, it is also developing a portfolio of brands beyond tobacco, including the e-vapour brand blu.

Its 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 (as at 30 September 2016) were *Davidoff*, *Gauloises Blondes*, *West*, *JPS*, *Fine*, *News*, *Winston*, *Bastos*, *Lambert & Butler* and *Parker & Simpson*, which constituted approximately 55 per

cent of the Group's volumes and 46 per cent of the Group's tobacco net revenue in the year ended 30 September 2016. This compares to 51 per cent of Group volumes and 46 per cent of net revenue achieved in 2015. Stick equivalent volumes of the key Growth Brands increased by 4 per cent in the year ended 30 September 2016.

Specialist Brands

The Group's Specialist Brands (as at 30 September 2016) were *Style*, *Gitanes*, *Kool* (cigarettes), *Golden Virginia*, *Drum*, *Route 66* (fine cut tobacco), *Backwoods* (cigars), *Skruf* (snus), *Rizla* (papers) and *blu* (e-vapour). Imperial Brands also has a number of leading international cigar brands including *Cohiba*, *Romeo y Julieta* and *Montecristo* which are owned as part of Habanos. Specialist Brands constituted 15 per cent of tobacco net revenue for the year ended 30 September 2016 (for the year ended 30 September 2015 this constituted 11 per cent of tobacco net revenue).

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. The Group is executing a brand migration programme to transition consumers from some of these brands into Growth Brands, with a number already complete and underway. Further migrations are planned as the Group continues to focus on simplifying its portfolio and building momentum behind its 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.

Tobacco Market Segments

Imperial Brands also divides its tobacco business by segment, into Returns Markets, Growth Markets and the US Market. 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. Since completion of the 2015 US acquisition, the US Market has been separated from the Growth Markets into its own division. The four 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;
- Growth Markets – which includes selected markets in the EU, Eastern Europe, Asia and the Middle East; and
- US Market, a standalone Growth Market.

Logistics

The Group also has a 70 per cent stake in 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 ITL, 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 300,000 points-of-sale.

The business also provides distribution and specialised services for customers in a number of different sectors including 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 Brands seeks to share technology and expertise across its 40 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 Brands' 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, Tanzania 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 Directive 2003/33/EC and with many countries adopting the 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 Brands 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 sales communications 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 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.

Directors and Senior Management

The following table shows the Board of Directors and senior management of Imperial Brands 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
Alison J Cooper ⁽²⁾	Chief Executive Officer 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, Landshire Estates Ltd, and Landshire Cider Ltd, an LLP member of Future Fuels No.1 LLP, Cobalt Data Centre 2 LLP, and Green Power Plant LLP and an LP Member of Invicta Martineau Place LP.
Matthew R Phillips.....	Chief Development Officer and Director	None
David J Haines	Non-Executive Director	Chairman and Co-Founder of Grace Founders S.à r.l.
Michael H C Herlihy	Senior Independent Non-Executive Director	Serves on the board of Compass Partners International & Compass Partners Investments LLP and is currently General Counsel for Smiths Group PLC and Director of The Chairman's Forum Limited
Karen Witts	Non-Executive Director	Chief Financial Officer 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 Sturrock and Robson International B.V.
Steven P Stanbrook	Non-Executive Director	Director of Autism Speaks and Partner of Wind Point Partners
Therese M Esperdy	Non-Executive Director	Non-Executive Director of National Grid PLC, Board of Trustees, Brooklyn Academy of Music (BAM), GP, Bulldog Innovation Group LLC
John M Downing.....	Company Secretary	None

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

⁽²⁾ Also a board member of Imperial Tobacco Limited

Senior management	Title
Dominic J Brisby.....	Divisional Director, Returns Group Marketing Director
Peter A G Corijn.....	
Fernando L Domínguez Valdés-Hevia....	Premium Cigar Director
Andrew Newall	Group HR Director
Walter Prinz.	Group Manufacturing Supply and Research and Development Director
Amal Pramanik.....	Divisional Director, Growth
Titus N Y Wouda Kuipers.....	Operations Director
Arthur A J M van Benthem	CEO, Fontem Ventures

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 Brands 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 Brands 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 2015, the Group has complied with the governance rules and best practice provisions applying to UK listed companies as contained in section 1 of the UK Corporate Governance Code (the “Code”) which was updated in 2014 replacing The Combined Code on Corporate Governance first introduced in 1992.

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’s terms of reference are published on the Group’s website, www.imperialbrandspkc.com. 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.

Successions and Nominations Committee: The Successions and Nominations Committee’s terms of reference are published on the Group website, www.imperialbrandspkc.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.imperialbrandspkc.com. For the year ended 30 September 2015, 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 Brands is aware, no person or persons, directly or indirectly, jointly or severally exercise or could exercise control over Imperial Brands.

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 in plain packaging regulations; restrictions on pack content, including minimum quantity per pack; restrictions or bans on the display of tobacco product packaging at the point of sale and restrictions or bans on cigarette vending machines; restrictions on the type of retail outlets that are permitted to sell tobacco products; requirements regarding testing, verification and maximum limits for tar, nicotine, and carbon monoxide; requirements regarding ingredients and emissions reporting, evaluation and possible bans of certain tobacco product ingredients; 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 Brands 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.

WHO'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 of the FCTC. These guidelines influence the regulatory landscape the Group operates in.

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. The guideline on packaging and labelling 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. The next such meeting is to be held in India in November 2016.

Future areas of work to be progressed into guidelines include further product regulation and the provision of support for economically viable alternatives to tobacco growing.

Almost all of the WHO FCTC provisions entail extra costs for the tobacco industry in one way or another. A change in the number and size of on-pack health warnings which is subject to regular rotation, for instance, requires new printing cylinders to be commissioned, while the implementation of new 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. The European Parliament and Council adopted the revised EUTPD text on 3 April 2014. The revised EUTPD entered into force on 20 May 2014. Provisions include: increased pictorial health warnings to 65 per cent of the front and backs of packs; 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 (unless the products fall under the derogation which *de facto* allows menthol cigarettes on the market until 20 May 2020); “tracking and tracing” requirements (from 20 May 2019 for cigarettes and fine cut tobacco and 2024 for all other tobacco products); and for e-vapour products, nicotine limits, pre-market notification, ingredients reporting and advertising bans.

The European Member States had to translate the Directive into national legislation by 20 May 2016. A number of Member States missed this deadline and some are not expected to transpose until late 2016. This Directive is an important piece of European Union legislation both for the Group’s EU markets and for its EU 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 the introduction of plain packaging through its 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, the UK, France and Ireland have all adopted standardised packaging on a national level, although Ireland is yet to clarify some technical details.

Standardised packaging is also being discussed in Norway and Slovenia but no legislation has been passed to date. Hungary has passed legislation for the introduction of standardised packaging, with a derogation for existing products until 2019.

In the UK, the industry mounted a legal challenge against this legislation in the High Court which upheld the legislation in May 2016. The ruling has subsequently been appealed by some of the claimants. The appeal hearing took place in October 2016 and judgment is awaited.

The Australian government’s tobacco plain packaging legislation took effect in December 2012. A challenge brought by Imperial Tobacco Australia Limited and other manufacturers in 2011 was unsuccessful. In August 2012 the High Court of Australia found the plain packaging laws were valid under the Australian constitution. The Australian government still faces challenges on an international front, which are unaffected by the High Court decision. This includes challenges from four governments in the World Trade Organization.

New Zealand has expedited the debate on plain packaging and the measure passed at second reading on 30 June 2016. The third and final reading is largely a formality but there is currently no indication when it will occur. Much of the detail aligns with Australia with the addition of pack and stick size limitations.

Product display bans at point of sale

Product display restrictions at point of sale have been in place in a number of countries beginning in 2001 and have been implemented both at national and state levels. These include Norway, Iceland, Finland, New Zealand, Thailand, Canada, Australia, Russia and several other countries.

Ireland was the first European Union member state to introduce a point-of-sale display ban effective July 2009. Since then England, Wales and Scotland and Northern Ireland have all banned the display of tobacco products at the point of sale.

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.

Pictorial health warnings have also been mandated EU-wide through the revised EUTPD. In all 28 EU Member States, cigarette and fine cut tobacco packs manufactured or released for free circulation after 20 May 2016 (or such date as stipulated in delayed national transpositions) will carry pictorial health warnings.

Some Member States have extended the requirement of pictorial health warnings to additional product categories such as cigars.

Smoking in public places

The majority of countries in which Imperial Brands 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 many markets including in Ireland, the United Kingdom, Norway, New Zealand and Australia, as well as within Canada and the US

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 US 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. In the UK, England and Wales banned smoking in cars carrying anyone aged below 18 from 1 October 2015 and a similar ban is under consideration in Scotland, Northern Ireland and the Republic of Ireland.

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 disproportionately appeal to minors and act as a catalyst for young people taking up smoking. In the US, the Family Smoking Prevention and Tobacco Control Act of 2009 (“FSPTC Act”) bans characterising flavours other than tobacco and menthol. The FSPTC flavour ban is currently only applicable to cigarettes, roll-your-own (including pipes and papers) and the proposed Deeming Regulation did not include a flavour ban. However, local government authorities in cities such as New York City and Boston have taken up the flavouring ban issue. In Canada, the manufacture and sale of cigarettes, little cigars and blunt wraps with characterising flavours are banned. The majority of Australian states have also banned flavours in cigarettes that give an “overtly” fruit-flavoured taste and the government is currently considering further regulatory options. The issue may also be extended to cigars at some point in the future. The revised EUTPD 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.

Regulation of e-vapour products

On 8 May 2016 the FDA published a Final Rule deeming all remaining tobacco products (including cigars and e-vapour products) subject to the regulatory authority of the FDA (the “Deeming Rule”). The Deeming Rule, which became effective on 8 August 2016, was broadly in line with the Draft Regulation FDA published on 25 April 2014. As part of the new regulatory environment, newly deemed products 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. In addition, all newly deemed products introduced into commerce after 15 February 2007 must obtain FDA pre-market approval. Since most e-vapour products were introduced into commerce after that date, the result will be that virtually all e-vapour products will need to be submitted to the FDA for review. However, products on the market as of the effective date of the Deeming Rule will be allowed to remain in the market for a continued period provided the manufacturer files a premarket submission within the prescribed time limit. The Deeming Rule is expected to impact new product introductions due to the pre-market review process.

In the EU, e-vapour 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 prohibits cross-border sponsorship or sponsorship of national events that have a cross-border effect, and bans the advertising of nicotine-containing e-vapour 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-vapour products are subject to the General Product Safety Directive 2001/95/EC of 3 December 2001, but e-vapour products may be regulated more strictly by Member States.

In 2014, Italy became the first country to introduce an excise category for e-vapour 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 US, e-vapour regulation varies, ranging from little or no regulation (for example, Russia and China) to a complete ban (for example, in Australia and the United Arab Emirates) of selling nicotine-containing e-vapour products outside of pharmaceutical regulations. The comprehensive regulation in the EU and the US, of e-vapour products is likely to increase in future.

Regulation in the US

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, “The Group may be adversely affected by regulation of menthol in cigarettes” and the section below, “Menthol Regulation in the US”); and allow the FDA to issue regulations deeming other tobacco products to be subject to the FSPTC Act.

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 US cigarette manufacturers to file “Substantial Equivalence” reports on products in the market place as of 22 March 2011, which were either introduced or changed since 15 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 brands acquired by the Group in 2015. 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 22 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. On 14 July 2016, the FDA issued a Not Substantially Equivalent notice regarding the provisional Substantial Equivalence report filed for Maverick Menthol Silver Box 100s. ITG Brands decided not to challenge the FDA's position regarding this particular menthol variant and has taken all necessary steps to remove this product from the market. It is anticipated that the remaining provisional reports will be approved.

On 8 May 2016 the FDA published the Deeming Rule. The Deeming Rule, which became effective on 8 August 2016, was broadly in line with the Draft Regulation FDA published on 25 April 2014. As part of the new regulatory environment, newly deemed products 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. In addition, all newly deemed products introduced into commerce after 15 February 2007 must obtain FDA pre-market approval. Because most e-vapour products were introduced into commerce after that date, the result will be that virtually all e-vapour products will need to be submitted to the FDA for review. However, products on the market as of the effective date of the Deeming Rule will be allowed to remain in the market for a continued period provided the manufacturer timely files a premarket submission. The Deeming Rule is expected to impact new product introductions due to the pre-market review process (for further discussion relative to e-vapour products, please see the section above, "Regulation of e-vapour products" in respect of potential FDA regulation).

Menthol Regulation in the US

The FSPTC Act of 2009 required the FDA to establish 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 "removal of menthol cigarettes from the marketplace would benefit public health in the US".

On 27 June 2011, the FDA provided a progress report on its review of the science related to menthol cigarettes. In this report the FDA stated that "experts within the FDA Center for Tobacco Products are conducting an independent review of the science related to the impact of menthol in cigarettes on public health...". The FDA stated that it would submit its draft independent review of menthol science to an external peer review panel in July 2011. On 26 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 24 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 the FDA in making informed decisions related to potential regulation of menthol in cigarettes. The FDA established a comment period, which ended on 22 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

US litigation environment and State Settlement Agreements

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 Master Settlement Agreement (“MSA”) in the US, which is an agreement between tobacco manufacturers and 52 US states and territories. On 12 June 2015, ITG Brands also joined a settlement agreement with another state, Mississippi, with respect to certain of ITG Brands’ cigarettes in the US, in connection with ITG Brands’ acquisition of those brands from Reynolds and Lorillard.

NPM Adjustment Disputes: The MSA includes an adjustment mechanism, known as a non-participating manufacturer (“NPM”) adjustment, which 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 2015 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” the “Qualifying Statutes”. This dispute is continuing. The states and manufacturers recently completed arbitration over the 2003 NPM adjustment, with state-court challenges to certain of the arbitrators’ decisions pending (described in detail below). Arbitration over the 2004 NPM adjustment commenced in 2016, with disputes over the remaining years (2004-2015) still to be arbitrated.

Effective from 17 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. A number of states that did not join the settlement then filed challenges in their state courts to the arbitration panel’s order seeking to stop implementation of the settlement. Those challenges were either denied, dismissed without action, or are currently stayed or inactive. The manufacturers also settled with another state, New York, in a separate agreement in October 2015. Commonwealth Brands and ITG Brands have received substantial credits under these settlements with additional credits due or possibly due in the future. At this stage in the proceedings, approximately US\$81 million has been recovered on the NPM adjustment settlements in the form of credits to MSA payments. The NPM adjustment settlement is an ongoing claim by a number of manufacturers and estimates of future credits on settled claims are subject to change depending upon a number of factors included in the calculation of the credits.

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 had not settled at that point, 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 approximately 50 per cent 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 one of the remaining four states, the trial-level state court issued a decision denying the state's request to overturn the award entirely but reducing the amount of recovery by changing the panel's treatment of the settlement; the intermediate appellate court affirmed that decision; and the state's highest court declined to grant a further discretionary appeal, and the US Supreme Court denied the companies' petition for further review. In the second of the remaining four state challenges to the arbitration award, the trial-level state court issued a decision denying the state's request to overturn the award entirely but reducing the amount of recovery by changing the panel's treatment of the settlement; the intermediate appellate court affirmed the decision upholding the award but reversed the decision reducing the amount of the award; and the case is currently before the state's highest court for further appellate review. In the third of the remaining four challenges the trial-level state court issued a decision denying both the state request to overturn the award entirely and the state request to reduce the amount of recovery; the intermediate appellate court affirmed the decision upholding the award but determined that the amount of the award must be reduced; the state's highest court declined to grant further discretionary appeal; and the US Supreme Court denied the companies' petition for further review. In the fourth state, the state trial level court issued a decision denying the state's request to overturn the award entirely but reducing the amount of recovery by changing the panel's treatment of the settlement; and the companies have appealed to the intermediate appellate court.

At this stage in the proceedings, approximately US\$13 million has been recovered on the 2003 NPM adjustment in the form of credits to MSA payments. Some reduction or increase in that previously received recovery is possible depending on the outcome of the state court challenges. The potential recovery on the 2004-2015 adjustments is unquantifiable at present.

Philip Morris USA has filed a challenge to ITG Brands' 12 June 2015 joinder in the Mississippi settlement agreement for certain US brands. Philip Morris USA agrees that it is appropriate for ITG Brands to make settlement payments but disagrees with certain of the joinder provisions addressing a payment adjustment under the settlement, claiming that they adversely affect Philip Morris USA and were entered without notice to it or its consent. The state of Mississippi opposed the motion along with ITG Brands. The state trial-level court denied the motion in December 2015, finding that Philip Morris USA was not entitled to notice of the joinder because it was not affected by it. Philip Morris USA has appealed that decision. Reynolds has moved to dismiss the appeal. The appellate court has ordered it will decide that motion to dismiss along with the merits of the appeal, and a briefing schedule should be set in 2016.

Other states with settlements similar to the Mississippi settlement (Florida, Minnesota, or Texas) as well as Philip Morris USA may claim that Reynolds continues to owe settlement payments on the cigarette brands acquired from Reynolds, and Reynolds may claim that that ITG Brands must pay it with respect to such claims. Such States or Philip Morris USA may also claim that ITG Brands must join those settlements and make such payments. Philip Morris USA has made such a claim before the entity that makes the settlement calculations, PricewaterhouseCoopers, but PricewaterhouseCoopers did not assess such payments. Philip Morris USA has also disputed the method that PricewaterhouseCoopers used to calculate payments under the settlements related to the acquired cigarette brands. It is possible that one or more of Florida, Minnesota, Texas, or Philip Morris USA will attempt to pursue such claims further before PricewaterhouseCoopers or state courts, or in arbitration.

Disputes regarding MSA-related state legislation. Statutes in a majority of states enacted in connection with the MSA require that cigarette brands must be listed on state tobacco "directories" as a condition of sale in a state. As a consequence of the 2015 US acquisition, ITG Brands was required to change the brand listings on these state directories from the original owners of the acquired cigarette brands to ITG Brands. One state, Ohio, took the position that when the listing changed on the directory, cigarettes that had already been sold under the previous listing were immediately contraband and subject to seizure. Ohio began seizing product

from retail shelves in June 2016. ITG Brands brought an action challenging the seizures in Ohio state court and sought preliminary injunctive relief barring further seizures until the merits of the litigation could be addressed. The trial court refused to grant preliminary injunctive relief. After ITG Brands appealed and sought a preliminary injunction from the Court of Appeals, that court granted preliminary injunctive relief barring the seizures until the merits of the appeal could be addressed. No briefing schedule on the merits has been set yet. The potential damages to ITG Brands from Ohio's actions are unquantifiable.

Other US litigation

On 20 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 Brands, and a third party, distributor Harold Levinson Associates, alleging violations of various US antitrust laws. All of the claims under sections 1 and 2 of the US Sherman Act regarding conspiracy in restraint of trade and monopolization have been dismissed. The plaintiff did not seek to replead those claims. The only remaining claim is under the US Robinson-Patman Act alleging price discrimination. The proceedings are at an initial stage and the remaining claim cannot, at this stage, be quantified.

On 12 June 2015, ITG Brands became a party for purposes of remedies and became subject to a remedial order in *United States v. Philip Morris Inc.*, No. 99-2496 (GK), pending in the United States District Court for the District of Columbia. In the suit, the federal government had sued the US tobacco companies alleging violations of the federal Racketeer Influenced and Corrupt Organizations Act (RICO). In 2009 the trial court found for the government and imposed remedial remedies on the companies. The remedial order, after some alteration on appeal, remains in place. Under the terms of the order, ITG Brands was required to become subject to that order and to the federal court's jurisdiction as a condition of acquiring certain brands from Reynolds and Lorillard. The order imposes certain conduct and disclosure requirements but no monetary liability.

A consolidated action (composed of class actions Diek and Whitney) before a single federal judge in Santa Ana, California is pending against LOEC, Inc.; Lorillard; ITG Brands; Reynolds; Fontem US, Inc.; and Fontem Holdings 4 B.V. Diek was filed in the United States District Court for the Central District of California on 22 April 2015, and a Third Amended Complaint was filed on 2 October 2015, and Whitney was filed on 1 September 2015 in the United States District Court for the Northern District of California. The cases were consolidated in the United States District Court for the Central District of California on 8 December 2015. A Consolidated Amended Complaint was filed on 22 January 2016 and a Second Consolidated Amended Complaint was filed on 23 May 2016. The plaintiffs claim that the defendants have used unfair and deceptive practices to sell their products in California, Illinois and New York, through material misrepresentations and omissions concerning the health, safety, and quality of those products, including the alleged failure to disclose the presence of dangerous levels of carcinogens including, but not limited to, formaldehyde. The consolidated action seeks to certify classes of consumers that purchased blu products; to have defendants disgorge and return profits from the allegedly illegal activity; to recover damages (including punitive damages) and attorney's fees; and to enjoin business practices related to allegedly deficient disclosures and misleading marketing. On 1 November 2016, in response to a motion to dismiss all claims, the court granted the motion in part, dismissing with prejudice all but one remaining claim. Pursuant to a previously issued order of the court, after a response to the single remaining claim is filed, all further proceedings in the action are stayed until further notice of the court. Therefore, at this stage, the value of the action is currently unquantifiable.

On 19 November 2015, the Center for Environmental Health filed a lawsuit in the California Superior Court for Alameda County against NJOY, Inc.; Fontem US, Inc.; and R.J. Reynolds Vapor Company. The complaint claims that the defendants failed to disclose the presence of formaldehyde (and, for the non-Fontem defendants, also acetaldehyde) in e-vapour products as required by California's Proposition 65, and it seeks an injunction prohibiting the sale of blu products in California without a Proposition 65 warning, along with attorney's fees and civil penalties of US\$2,500 per day against each defendant for each violation of that law. The case has been designated by the court as "complex" and the value of this action is currently unquantifiable.

ITG Brands received notice on or about 21 July 2016 that a complaint had been filed in the state court in Massachusetts by plaintiff Philip DeRoo, naming as defendants Reynolds, Lorillard, and Philip Morris, as well as various affiliates of those companies and various companies that distributed and/or sold cigarettes.

The complaint alleges that Mr. DeRoo started smoking in 1966 and smoked Newport, Marlboro, Kool, and Winston for twenty-five years thereafter. Defendants served their responses to the plaintiff's complaint on 6 September 2016 and demanded a trial by jury. ITG Brands has not been named as a defendant in the complaint. ITG Brands has the benefit of an indemnity from Reynolds in respect of any part of the claim relating to Kool and Winston cigarettes.

ITG Brands received notice on or about 9 September 2016, that a complaint had been filed in Massachusetts state court by plaintiff Cheryl Harris, naming as defendants Reynolds, Lorillard, and ITG Brands as well as various companies that distributed and/or sold cigarettes. The complaint alleges that Ms. Harris started smoking in 1963 and has smoked Winston and Newport cigarettes for fifty-three years. Plaintiff is in the process of amending her complaint. A response will be due ten days after service of the amended complaint. ITG Brands has the benefit of an indemnity from Reynolds with respect to any part of the claim relating to Winston cigarettes.

ITG Brands received a petition on 5 May 2016 to take the deposition of a potential claimant, Michael Zonak, for the purpose of preserving his testimony for use in a potential claim in Massachusetts state court. The petition alleges that that Mr. Zonak smoked Newport, Marlboro, and Maverick from 1964 to 2015. He stopped smoking in 2015. ITG Brands has the benefit of an indemnity from Reynolds in respect of any part of the claim relating to Maverick cigarettes.

ITG Brands and Commonwealth Brands received a petition on 25 July 2016 to take the deposition of potential claimant, Frances LaPointe, for the purpose of preserving her testimony for use in a potential claim in Massachusetts state court. The petition states that Ms LaPointe smoked Winston, Marlboro and Montclair cigarettes between 1955 and 1999. She stopped smoking in 1999. To date, no claim has been filed. Should any claim be brought, ITG Brands would have the benefit of an indemnity from Reynolds in respect of any part of the claim relating to Winston cigarettes. Commonwealth Brands also has the benefit of an indemnity from Reynolds (the successor in interest to Brown & Williamson) that would cover any claim in respect of Montclair cigarettes between 1955 (when Ms LaPointe began smoking) and 1996 (when Commonwealth Brands purchased the Montclair brand from Brown & Williamson). Ms. LaPointe contends she smoked Montclair cigarettes between 1980 and 1999.

ITG Brands received notice on or about 6 September 2016 that a complaint had been filed in Massachusetts state court by plaintiff, Walter Raleigh, naming as defendants ITG Brands, Reynolds, and Philip Morris as well as various affiliates of those companies and various companies that distributed and/or sold cigarettes. The complaint alleges that Mr. Raleigh started smoking in 1960 and has smoked Old Gold, Winston, Marlboro, Newport, Benson & Hedges, and Pall Mall cigarettes since that time. ITG Brands responded to the plaintiff's amended complaint on 25 October 2016 and demanded a trial by jury. ITG Brands has the benefit of an indemnity from Reynolds with respect to any part of the claim relating to Winston cigarettes.

ITG Brands received a petition on or about 8 July 2016 to take the deposition before suit of a potential claimant, Katherine Fowler, for the purpose of preserving her testimony for use in a potential claim in Massachusetts state court. The petition states that Ms. Fowler started smoking in 1970 and smoked Marlboro, Merit, Pall Mall, Kent, Kool, Parliament and Camel cigarettes for almost forty-five years thereafter. To date, no claim has been filed. ITG Brands has the benefit of an indemnity from Reynolds with respect to any part of the claim relating to Kool cigarettes.

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.

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 21 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 €65 million (approximately £54 million) as of 30 June 2016.

Several companies have appealed the decision before the General Court of the European Union. Most of the appeals contended 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 was the appeal filed by a non-Spanish entity against the acknowledgement of the existence of legitimate expectations prior to 21 December 2007.

In a decision delivered on 7 November 2014, the General Court of the European Union 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.

The 7 November 2014 decision is not final as it has been appealed by the EC to the Court of Justice of the EU.

As a consequence, the amount deducted by Logista related to the European Union operation is still subject to a potential recovery order. However, this scenario is considered by the Group to be remote as it would require (i) that the Court of Justice of the EU annul the 7 November 2014 judgment stating that the measure was illegal state aid and (ii) that the General Court of the EU, going even further than the original EC decision, declare that no legitimate expectation had to be granted.

Litigation relating to the assets acquired pursuant to the 2015 US acquisition

Certain members of the Reynolds group and certain members of the Lorillard group were or are, in respect of the cigarette brands acquired as part of the 2015 US acquisition, subject to ongoing, pending and threatened product liability proceedings in the US including: (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 these brands were acquired without historic product liabilities, these proceedings and the respective quantum of such claims are not described in further detail in this document.

Guarantees

Imperial Brands has guaranteed various borrowings and liabilities of certain UK and overseas subsidiary undertakings, including various Dutch and Irish subsidiaries. As at 30 September 2016, the contingent liability totalled £18,138 million (2015: £14,123 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 Brands 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 30 September 2015. 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 Brands as described in the Trust Deed. The guarantee is an unsecured, unsubordinated obligation of Imperial Brands, guaranteeing all monies due under the Notes.

French Tax Administration

In November 2015, the Group received a challenge from the French tax authorities that could lead to additional tax liabilities of up to £253 million. The challenge concerns the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intra group transfer of the shares in October 2012 and the tax consequences flowing from a potentially higher value that is argued for by the tax authorities. Based on professional advice, an amount of £41 million is provided for in the consolidated financial statements of the Guarantor for the financial year ended 30 September 2016.

Recent Developments

The Group announced on 29 November 2016 a number of proposed restructuring changes as part of its continued focus on competitiveness and sustainability, including the potential disposal of its Riom factory and Les Aubrais research laboratory in France and the closure of its Yaroslavl factory in Russia.

Imperial Tobacco Limited (“ITL”)

ITL was incorporated as a private company with limited liability under the laws of England and Wales on 1 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 Brands. 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 UK operating subsidiary, is the 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 Tobacco Holdings (2007) Limited and Imperial Tobacco Holdings Limited.

The Directors and Company Secretary of ITL are as follows:

Name	Title
Alison Cooper	Director
Oliver 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, Landshire Estates Ltd, and Landshire Cider Ltd, an LLP member of Future Fuels No. 1 LLP, Cobalt Data Centre 2 LLP, Green Power Plant LLP and an LP Member of Invicta Martineau Place LP. 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.

Taxation

United Kingdom Taxation

The comments below are of a general nature based on the Issuer's understanding of 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 (as that term is understood for United Kingdom tax purposes) in respect of the Notes. 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 are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom 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 exemptions and reliefs under domestic law including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled, 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 has 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.

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, in force at the date of this Prospectus, all of which are subject to change or to different interpretation (potentially with a retroactive effect). 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.

Withholding Tax

The following may be relevant to Noteholders who do not concurrently hold shares of Imperial Finance France

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 an applicable double tax treaty).

Notwithstanding the foregoing, neither the 75 per cent withholding tax set out under Article 125 AIII of the French *Code générale des impôts* 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 *Bulletin Officiel des Finances Publiques-Impôts* BOI-INT-DG-20-50-20140211 no. 550 and 990, BOI-RPPM-RCM-30-10-20-40-20140211 no. 70 and 80 and BOI-IR-DOMIC-10-20-20-60-20150320 no. 10, 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.

Besides 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 (*établissement payeurs*) established in France are subject to a 24 per cent withholding tax, 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 such interest and other similar revenues paid to individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the United Kingdom and France) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. A foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. The Issuer’s obligations under the Notes are discharged once it has paid the Common Depositary and, therefore, the Issuer has no responsibility for any amount thereafter transmitted through the hands of the Clearing Systems and custodians or intermediaries to the beneficial owner of a Note.

The proposed financial transactions tax (“FTT”)

On 14 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”). However, Estonia has since stated that it will not participate.

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.

The Commission’s Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. 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 December 2016 (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 US or to, or for the account or benefit of, US 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 US tax law requirements and may not be offered, sold or delivered within the US or its possessions or to a US person, except in certain transactions permitted by US Treasury regulations. Terms used in this paragraph have the meanings given to them by the US 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 US or to, or for the account or benefit of, US 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 US or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the US 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; and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian 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*) and/or a limited circle of investors (*cercle restreint*) acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411.4 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 BRANDS FINANCE PLC] [IMPERIAL BRANDS FINANCE FRANCE SAS]

issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Imperial Brands 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 Brands Finance PLC]
[Imperial Brands Finance France SAS] |
| | (ii) | Guarantor: | Imperial Brands 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]
[Issuer Residual 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 [], respectively]]
[and Guarantee] obtained.

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. Issuer Residual Call: [Applicable/Not Applicable]
Residual Call Early Redemption Amount: [] per Calculation Amount
21. 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
22. Change of Control Investor Put [Applicable/Not Applicable]
Optional Redemption Amount: [[] per Calculation Amount]/[Amortised Face Amount]
23. Final Redemption Amount [] per Calculation Amount
24. 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

25. 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 [depository/safekeeper] for Euroclear and Clearstream, Luxembourg]

26. New Global Notes: [Yes] / [No]
27. Additional Financial Centre(s): [Not Applicable/[]]
28. 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 Brands Finance PLC] [Imperial Brands Finance France SAS]:

By:.....
Duly authorised

Signed on behalf of Imperial Brands 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 UK 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/[]]
- (vi) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] and 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

8. US SELLING RESTRICTIONS

US 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 8 December 2016. 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 UK 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 30 October 2014 and by resolutions of the Board of Directors of ITL passed on 29 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 29 January 2015. The update of the Programme and the issue of Notes under the Programme was authorised by a resolution of the sole shareholder of Imperial Finance France on 28 November 2016.
3. There has been no significant change in the financial or trading position of Imperial Finance, Imperial Finance France, the Guarantor, ITL, the Guarantor's subsidiaries or ITL's subsidiaries (which are included within the Group's subsidiaries) taken as a whole since 31 March 2016. There has been no material adverse change in the prospects of Imperial Finance, Imperial Finance France, the Guarantor or ITL since 30 September 2015.
4. Except as disclosed under the sub-heading "Litigation" on pages 79 to 83, 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 US person who holds this obligation will be subject to limitations under the US 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 Articles of Association of Imperial Finance and the Guarantor;
- 9.3 the constitutional documents (*statuts*) of Imperial Finance France;
- 9.4 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;
- 9.5 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);
- 9.6 a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus; and
- 9.7 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 2 Glass Wharf, Bristol BS2 0FR, England have audited, and rendered unqualified audit reports on:
 - (i) the non-consolidated financial statements of Imperial Finance for the year ended 30 September 2014 and the year ended 30 September 2015;
 - (ii) the consolidated financial statements of the Guarantor for the year ended 30 September 2014 and the year ended 30 September 2015; and
 - (iii) the non-consolidated financial statements of ITL for the year ended 30 September 2014 and the year ended 30 September 2015.
- 12. The non-consolidated financial statements of (i) Imperial Finance and (ii) ITL for the years ended 30 September 2014 and 30 September 2015 were prepared in accordance with current UK generally accepted accounting practice ("UK GAAP") and the Companies Act 2006. Imperial Finance confirms, in relation to the non-consolidated annual financial statements of Imperial Finance for the year ended 30 September 2015, and ITL confirms, in relation to the non-consolidated annual financial statements of ITL for the year ended 30 September 2015, that those annual financial statements, which were prepared under UK GAAP, have been presented and prepared in a form which is consistent with that which will be adopted in the next annual financial statements to be published (which will be prepared under FRS 101) having regard to accounting standards, policies and legislation applicable to such annual financial statements, in so far as there are no material differences between the financial statements for this year prepared under these two accounting frameworks.

13. 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 30 September 2014 and the year ended 30 September 2015.

Financial information in relation to Imperial Brands Finance France SAS

The following section contains an English translation of the audited non-consolidated annual financial statements of Imperial Brands Finance France SAS for the financial years ended 30th September 2015 and 30th September 2014, respectively, together in each case with the audit report thereon.

IMPERIAL TOBACCO FINANCE FRANCE

Statutory auditors' report on the financial statements

(Year ended 30 September 2015)



Statutory auditors' report on the financial statements

(Year ended 30 September 2015)

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,
IMPERIAL TOBACCO FINANCE FRANCE
143, boulevard Romain Rolland
75014 Paris

In compliance with the assignment entrusted to us by your shareholders' general meeting, we hereby report to you, for the year ended 30 September 2015, on:

- the audit of the accompanying financial statements of IMPERIAL TOBACCO FINANCE FRANCE;
- the justification of our assessments;
- the specific verification and information required by French law.

These financial statements have been approved by the Chairman. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the Financial Statements

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 includes performing procedures, using sampling 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 opinion.

In our opinion, the financial statements give a true and fair view of the results of operations of the company for the year then ended, and of the assets and liabilities and the financial position of the company 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 hereby report that the assessments that were made focused on 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 Chairman's management report and in the documents addressed to the partners with respect to the financial position and the financial statements.

Neuilly-sur-Seine, 18 January 2016

The Statutory Auditors
PricewaterhouseCoopers Audit

[Signature]

Camille Phelizon

SUMMARY BALANCE SHEET
IMPERIAL TOBACCO FINANCE FRANCE (ITFF) SASU
Edition: 01/10/2014 to 30/09/2015

ASSETS	Gross	Depreciation, amortisation and impairment	Net	N-1 Net	EQUITY AND LIABILITIES	Year N net	Year N-1 net
Fixed assets: Intangible assets - Goodwill - Other Property, plant and equipment Financial assets TOTAL I					Shareholders' equity Share capital Revaluation adjustments Reserves: - Legal reserve - Regulated reserves - Other reserves Retained earnings Interim dividend Income for the year (profit or loss) Tax-driven provisions TOTAL I	1,000,000 102,023	1,000,000 102,023
Current assets: Inventories and work in progress (other than goods for resale) Goods for resale Advances and down payments received on orders					Provisions for contingencies and losses (II) Liabilities Borrowings and similar liabilities Advances and down payments received on orders Trade and other payables Other liabilities TOTAL III	48,788 0 -13,298 1,137,513	803,561 -680,000 -74,773 1,150,811
Receivables: Trade and other receivables Other Marketable securities Cash equivalents Cash TOTAL II	1,148,797 596 1,149,393		1,148,797 596 1,149,393	1,163,147 145 1,163,292		11,880 11,880	12,481 12,481
Prepaid expenses and deferred charges (III) TOTAL ASSETS (I+II+III)	1,149,393		1,149,393	1,163,292	Deferred income (IV) TOTAL EQUITY AND LIABILITIES (I+II+III+IV)	1,149,393	1,163,292

SUMMARY BALANCE SHEET
IMPERIAL TOBACCO FINANCE FRANCE (ITFF) SASU
Edition: 01/10/2014 to 30/09/2015

EXPENSES (exclusive of tax)	Year N Net	Year N-1 Net	INCOME (exclusive of tax)	Year N Net	Year N-1 Net
OPERATING EXPENSES:			OPERATING INCOME:		
Purchases of goods for resale			Sales of goods		
Change in stock (goods for resale)			Production sold (goods and services)		
Purchases of supplies			Inventoried products		
Change in stock (supplies)			Capitalised production		
Other external charges	13,948	15,728	Operating subsidies		
Taxes, duties and other levies		20,400	Other income	661	4,405
Staff remuneration			Financial income		
Social security contributions					
Depreciation and amortisation					
Provisions					
Other expenses	11				
Financial expenses					
TOTAL (I)	13,959	36,128	TOTAL (I)	661	4,405
EXCEPTIONAL CHARGES (II)			EXCEPTIONAL INCOME (II)		
INCOME TAX EXPENSE (III)					
TOTAL EXPENSES (I+II+III)	13,959	79,178	TOTAL INCOME (I+II)	661	4,405
PROFIT OR LOSS	-13,298	-74,773			
TOTAL	661	4,405	TOTAL	661	4,405

<p style="text-align: center;">IMPERIAL TOBACCO FINANCE FRANCE NOTES TO THE FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015</p>

(AMOUNTS EXPRESSED IN THOUSANDS OF EUROS)

1 – Accounting policies

- 1.1 – Basic principles
- 1.2 – Procedures and methods applied to the various items on the balance sheet and income statement
 - 1.2.1 – Payables and receivables
 - 1.2.2 – Currency transactions

2 – Notes to the balance sheet

- 2.1 – Share capital
- 2.2 – Investments – Sundry payables
- 2.3 – Statement of provisions
- 2.4 – Off-balance sheet commitments
- 2.5 – Changes in equity
- 2.6 – Liabilities
- 2.7 – Accruals

3 – Notes to the income statement

- 3.1 – Workforce
- 3.2 – Operating income
- 3.3 – Financial income
- 3.4 – Extraordinary income

4 – Other information

- 4.1 – Consolidating Company
- 4.2 – Post-balance sheet events
- 4.3 – Information regarding related entities
- 4.4 – Significant events

1 – ACCOUNTING POLICIES

1.1 – BASIC PRINCIPLES

General accounting conventions have been applied, with due respect to the principle of care, according to the following basic assumptions:

- continuity of operations
- consistency of accounting methods used from one financial year to another, in compliance with the generally accepted accounting rules governing the preparation and presentation of financial statements
- independence of financial years

The basic method used when stating the value of items in the financial statements is the historical cost method. The financial statements have been drawn up according to the approved accounting plan and in compliance with the principles set out in Regulation No. 99.03 issued by the French Accounting Standards Committee (Comité de la Réglementation Comptable – CRC).

The date of the close of the accounting and financial year was changed in 2008 and is henceforth 30 September rather than 31 December.

1.2 – PROCEDURES AND METHODS APPLIED TO THE VARIOUS ITEMS ON THE BALANCE SHEET AND INCOME STATEMENT

1.2.1 – Payables and receivables

Payables and receivables are recorded at nominal value.

Where applicable, payables are depreciated through write-downs in order to take into account potential recovery difficulties.

1.2.2 – Currency transactions

Currency transaction income and expenses are recorded at the exchange rate in euros on the transaction date. Foreign currency liabilities, receivables and cash items are translated on the balance sheet into euros at closing exchange rates.

Any difference arising on translation of payables and receivables at closing exchange rates is recorded in the balance sheet under “Translation adjustment”.

A provision for financial risk is recognised to cover any unrealised foreign exchange losses.

2 – NOTES TO THE BALANCE SHEET

2.1 – SHARE CAPITAL

The share capital is set at EUR 1,000,000 divided into 100,000 shares of EUR 10 nominal value each.

<u>DISTRIBUTION OF TOBACCO IMPERIAL FINANCE FRANCE SHARE CAPITAL AS AT 30/09/15</u>	Number of shares	% of share capital
SEITA 143 boulevard Romain Rolland 75014 Paris	100,000	100%
TOTAL	100,000 shares	

2.2 – INVESTMENTS – Sundry payables

No loans were granted in 2015. In terms of current accounts, sundry payables are upwards of one year, in euros and concern related entities.

Amounts in thousands of euros

Seita current account	1148.8
TOTAL SUNDRY PAYABLES	1148.8

2.3 – STATEMENT OF PROVISIONS

Amounts in thousands of euros

	<u>2015</u>	Amount as at 01.10.14	Increase Additions	Decreases Reversals	Amount as at 30.09.15
Nature of provisions					
- Provisions for contingencies and losses			<u>None</u>		
- Currency risk					
- Counterparty risk					

2.4 – OFF-BALANCE SHEET COMMITMENTS

No interest rate or foreign exchange financial instruments had been entered into by Imperial Tobacco Finance France at end-2015.

2.5 – CHANGES I

	Equity as at 1/10	Income as at 30/09	Dividends paid to the shareholder	Change in tax provisions	Withdrawal from revaluation reserve	Share capital increase	Optional reserve and interim dividends	Unavailable reserve	Equity as at 30/09
2015	1,150.8	-13.3							1,137.5

2.6 – LIABILITIES

None

2.7 – ACCRUALS

Amounts in thousands of euros

	2015 FINANCIAL YEAR	2014 FINANCIAL
YEAR		
Accruals	(11.9)	(12.4)

Comprising provision for statutory auditor fees only.

3 – NOTES TO THE INCOME STATEMENT

3.1 – WORKFORCE

Workforce: none

3.2 – OPERATING INCOME

Amounts in thousands of euros

	2015 FINANCIAL YEAR	2014 FINANCIAL YEAR
External staff	0.0	0.0
Banking services	(0.17)	(0.1)
Other taxes	0.0	(20.4)
Other external services	(13.8)	(15.7)
Other expenses		
Operating income	(14.0)	(36.2)

3.3 – FINANCIAL INCOME

Amounts in thousands of euros

	2015 FINANCIAL YEAR	2014 FINANCIAL YEAR
Interest received (*)	0.6	4.4
Interest paid (*)	0.0	0.0
Net interest revenue	0.6	4.4
Exchange result	0.0	0.0
Financial provision allocations	0.0	0.0
Financial provision reversals		
Net financial income	0.6	4.4

(*) Interest received and paid concerns related entity current accounts.

3.4 – EXTRAORDINARY INCOME

Amounts in thousands of euros

	2015* FINANCIAL YEAR	2014 FINANCIAL YEAR
Extraordinary income	0.00	0.00
Extraordinary expenses (*)	0.00	(2.05)
	<hr/>	<hr/>
Net financial income	0.00	(2.05)

4 – OTHER INFORMATION

4.1 – CONSOLIDATING COMPANY

IDENTITY OF THE PARENT COMPANY CONSOLIDATING THE FINANCIAL STATEMENTS USING THE FULL CONSOLIDATION METHOD:

IMPERIAL TOBACCO LIMITED (French branch)
121 Winterstoke Road, Bristol BS3 2LL, United Kingdom

4.2 – POST-BALANCE SHEET EVENTS

None.

4.3 – INFORMATION REGARDING RELATED ENTITIES

No transaction with related companies in accordance with ANC regulation No. 2010-02 of 02/09/10 worthy of note.

4.4 – SIGNIFICANT EVENTS

None.

**Translator's note: The source document erroneously indicates 2014, instead of 2015.*

IMPERIAL TOBACCO FINANCE FRANCE

**Rapport du commissaire aux comptes
sur les comptes annuels**

(Exercice clos le 30 septembre 2015)



Rapport du commissaire aux comptes sur les comptes annuels

(Exercice clos le 30 septembre 2015)

Aux Associés
IMPERIAL TOBACCO FINANCE FRANCE
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 2015, sur :

- le contrôle des comptes annuels de la société IMPERIAL TOBACCO FINANCE FRANCE, 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 le président. 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 2 510 480 €. 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 00062. 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 du président et dans les documents adressés aux associés sur la situation financière et les comptes annuels.

Fait à Neuilly-sur-Seine, le 18 janvier 2016

Le commissaire aux comptes
PricewaterhouseCoopers Audit



Camille Phelizon

BILAN SYNTHETIQUE
IMPERIAL TOBACO FINANCE FRANCE (ITFF) SASU
Edition du : 01/10/2014 au 30/09/2015

ACTIF	Brut	Exercice N Amortissements et dépréciations	Net	N-1 Net	PASSIF	Exercice N net	Exercice N-1 net
Actif immobilisé :					Capitaux propres		
Immobilisations incorporelles					Capital	1 000 000	1 000 000
- Fonds commercial					Ecart de réévaluation		
- Autres					Réserves :		
Immobilisations corporelles					- Réserve légale	102 023	102 023
Immobilisations financières					- Réserves réglementées		
TOTAL I					- Autres		
Actif circulant :					Report à nouveau		
Stocks et en-cours (autres que					Accompte sur dividendes	48 788	803 561
marchandises)					Résultat de l'exercice (bénéfice ou perte)	0	-680 000
Marchandises					Provisions réglementées	-13 298	-74 773
Avances et acomptes versés sur					TOTAL I	1 137 513	1 150 811
commandes					Provisions pour risques et charges (II)		
Créances :					Dettes		
Clients et comptes rattachés					Emprunts et dettes assimilées		
Autres	1 148 797		1 148 797	1 163 147	Avances et acomptes reçus sur		
Valeurs mobilières de placement					commandes		
Disponibilités (autres que caisse)	596		596	145	Fournisseurs et comptes rattachés		
Caisse					Autres	11 880	12 481
TOTAL II	1 149 393		1 149 393	1 163 292	TOTAL III	11 880	12 481
Charges constatées d'avance (III)					Produits constatés d'avance (IV)		
TOTAL GENERAL (I+II+III)	1 149 393		1 149 393	1 163 292	TOTAL GENERAL (I+II+III+IV)	1 149 393	1 163 292

COMPTE DE RESULTAT SYNTHETIQUE
IMPERIAL TOBACCO FINANCE FRANCE (ITFF)
Edition du : 01/10/2014 au 30/09/2015

CHARGES (Hors taxes)	Exercice N Net	Exercice N-1 Net	PRODUITS (Hors taxes)	Exercice N net	Exercice N-1 net
CHARGES D'EXPLOITATION :			PRODUITS D'EXPLOITATION		
Achats de marchandises			Ventes de marchandises		
Variation de stock (marchandises)			Production vendue (biens et services)		
Achats d'approvisionnement			Production stockée		
Variation de stock (approvisionnement)			Production immobilisée		
Autres charges externes	13 948	15 728	Subventions d'exploitation		
Impôts, taxes et versements assimilés		20 400	Autres produits		
Rémunération du personnel			Produits financiers	661	4 405
Charges sociales					
Dotations aux amortissements					
Dotations aux provisions					
Autres charges					
Charges financières	11				
TOTAL (I)	13 959	36 128	TOTAL (I)	661	4 405
CHARGES EXCEPTIONNELLES (II)		2 050	PRODUITS EXCEPTIONNELS (II)		
IMPOTS SUR LES BENEFICES (III)		41 000			
TOTAL DES CHARGES (I+II+III)	13 959	79 178	TOTAL DES PRODUITS (I+II)	661	4 405
BENEFICE OU PERTE	-13 298	-74 773			
TOTAL GENERAL	661	4 405	TOTAL GENERAL	661	4 405

IMPERIAL TOBACCO FINANCE FRANCE
ANNEXE AUX ETATS FINANCIERS AU 30 SEPTEMBRE 2015

(MONTANTS EXPRIMES EN MILLIERS 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
- 2.6 - Dettes
- 2.7 - Charges à payer

3 - Notes sur le compte de résultat

- 3.1 - Effectif
- 3.2 - Résultat d'exploitation
- 3.3 - Résultat financier
- 3.4 - Résultat exceptionnel

4 - Autres informations

- 4.1 - Société consolidant les comptes
- 4.2 - Evénements postérieurs à la clôture
- 4.3 - Informations concernant les entreprises liées
- 4.4 - Faits caractéristiques

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 APPLIQUEES 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 dépréciations 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.

<u>REPARTITION DU CAPITAL D'IMPERIAL TOBACCO FINANCE FRANCE AU 30/09/15</u>	Nombre de parts sociales	% du capital
SEITA 143 boulevard Romain Rolland 75014 PARIS	100 000	100 %
TOTAL	100 000 parts	

2.2 – PLACEMENTS - Créances diverses

Aucun prêt n'a été consenti en 2015. S'agissant de comptes courants, les créances diverses sont à plus d'un an, en euro et concernent les entreprises liées.

Montants en milliers d'euros

Compte courant Seita	1148,8
TOTAL CREANCES DIVERSES	1148,8

2.3 – ETAT DES PROVISIONS

Montants en milliers d'euros

	<u>2015</u>	Montant au 01.10.14	Augmentation Dotations	Diminutions Reprises	Montant au 30.09.15
Nature des provisions					
- Provisions pour risques et charges :					<u>Néant</u>
- Risque de change					
- Risque de contrepartie					

2.4 – ENGAGEMENTS HORS BILAN

Il n'y a aucun instrument financier de taux ou de change souscrits par Impérial Tobacco Finance France à fin 2015.

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
2015	1 150,8	- 13,3							1 137,5

2.6 – DETTES

Néant

2-7 – CHARGES A PAYER

Montants en milliers d'euros

	EXERCICE 2015	EXERCICE 2014
Charges à payer	(11.9)	(12.4)

Composé uniquement de la provision des honoraires des commissaires aux comptes.

3 - NOTES SUR LE COMPTE DE RESULTAT

3.1- EFFECTIF

Effectif : néant

3.2- RESULTAT D'EXPLOITATION

Montants en milliers d'euros

	EXERCICE 2015	EXERCICE 2014
Personnel extérieur	0,0	0,0
Services bancaires	(0,17)	(0,1)
Autres impôts	0,0	(20,4)
Autres services extérieurs	(13,8)	(15,7)
Autres charges		
Résultat d'exploitation	(14,0)	(36,2)

3.3- RESULTAT FINANCIER

Montants en milliers d'euros

	EXERCICE 2015	EXERCICE 2014
Produits d'intérêts financiers (*)	0,6	4,4
Charges d'intérêts financiers (*)	0,0	0,0
Produits d'intérêts financiers nets	0,6	4,4
Résultat de change	0,0	0,0
Dotations aux provisions financières	0,0	0,0
Reprises aux provisions financières		
Résultat financier net	0,6	4,4

(*) Les produits et charges d'intérêts financiers concernent les intérêts liés à la rémunération des comptes courants des entreprises liées.

3.4 RESULTAT EXCEPTIONNEL

Montants en milliers d'euros

	EXERCICE 2014	EXERCICE 2014
Produits exceptionnels	0,00	0,00
Charges exceptionnels (*)	0,00	(2,05)
Produits d'intérêts financiers nets	0,00	(2,05)

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.

4.4- FAITS CARACTERISTIQUES

Néant.

IMPERIAL TOBACCO FINANCE FRANCE SAS

Auditor's report on the annual financial statements

(Year ending 30 September 2014)



Auditor's report on the annual financial statements

(Year ending 30 September 2014)

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

IMPERIAL TOBACCO FINANCE FRANCE SAS

143, Boulevard Romain Rolland

75014 Paris

To whom it may concern

In accordance with the task entrusted to us by a collective decision of the partners, we present to you our report relating to the year ending 30 September 2014 on:

- An audit of the annual financial statements of IMPERIAL TOBACCO FINANCE FRANCE SAS, as appended to this report;
- A justification of our assessments;
- The specific verifications and information provided for by law.

The annual financial statements were drawn up by the CEO. On the basis of our audit, it is our duty to express an opinion on these statements.

I – Opinion on the annual financial statements

We carried out our audit according to the professional standards applicable in France. These standards require that procedures be implemented enabling us to have a reasonable assurance that the annual financial statements do not contain any significant anomalies. An audit entails verifying the evidence justifying the amounts and information in the annual financial statements by tests or other selection methods. It also entails assessing the accounting principles followed, the significant estimations adopted and the overall presentation of the statements. We consider that the evidence that we collected forms a sufficient and appropriate basis for our opinion.

In our opinion, the financial statements give a true and fair view of the results of operations of the company for the year then ended, and of the assets and liabilities and the financial position of the company for the year then ended in accordance with French accounting principles.

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PricewaterhouseCoopers Audit SA, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex
Tel.: +33 (0) 1 56 57 58 59 Fax: +33 (0) 1 56 57 58 59 50, www.pwc.fr

Accounting firm registered in the Paris – Ile de France association. Audit company member of the Versailles regional company. Public limited company with capital of 2 510 460 €. Registered office: 63, rue de Villiers, 92200 Neuilly-sur-Seine. Nanterre Companies Register 672 006 483. VAT No. FR 76 672 006 483. Business reg. No. (Siret) 672 006 483 00362. APE code 6920 Z. Offices: Bordeaux, Grenoble, Lille, Lyon, Marseilles, Metz, Nantes, Neuilly-sur-Seine, Nice, Poitiers, Rennes, Rouen, Strasbourg, Toulouse.

II – Justification of our assessments

In accordance with the provisions of Article L. 823-9 of the Commercial Code relating to justification of our assessments, please note that the assessments we made addressed the appropriateness of the accounting principles applied.

The assessments addressing these matters are within the framework of our audit approach of the annual financial statements, taken as a whole, and have thus contributed to forming our opinion as expressed in the first part of this report.

III – Specific verifications and information

In accordance with the professional standards applicable in France, we have also carried out the specific verifications provided for by law.

We have no observation to make on the whether the information given in the CEO's management report is accurate and matches the annual financial statements and information given in the documents sent to the partners on the financial situation and annual financial statements.

Neuilly-sur-Seine, 19 January 2015

The auditor
PricewaterhouseCoopers Audit

[Signature]

Camille Phelizon

ASSETS	Gross	Year N Amortisations and depreciations	Net	N-1 Net	LIABILITIES	Year N Net	Year N-1 net
Fixed assets: Intangible assets - Goodwill - Other					Shareholders' equity Capital	1 000 000	1 000 000
Tangible assets Financial assets TOTAL I					Reserves: - Legal reserve - Regulated reserves - Other	102 023	102 023
Current assets: Inventories (other than merchandise) Merchandise Payment in advance to suppliers				6 219	Carried forward Interim dividend Result for the year (profit or loss) Regulated provisions TOTAL I	803 561 - 680 000 - 74 773	811 580 - 8 020
Debits: Trade accounts receivable Others	1 163 147		1 163 147	1 869 692	Contingency and loss provision (II) Debts Loans and similar debts Advance payment to suppliers	1 150 811	1 905 583
Marketable securities Liquid assets (other than cash) Cash in hand TOTAL III	145 1 163 292		145 1 163 292	46 493 1 922 404	Trade creditors and other accounts receivable Others TOTAL III Unearned income (IV)	12 481 12 481	16 820 16 820
Prepaid advances (III) GENERAL TOTAL (I+II+III)	1 163 292		1 163 292	1 922 404	GENERAL TOTAL (I+II+III+IV)	1 163 292	1 922 404

CHARGES (excluding taxes)	Net	N-1 Net	INCOME (excluding taxes)	Year N Net	Year N-1 net
OPERATING CHARGES:			OPERATING INCOME:		
Purchase of goods for resale			Sales of goods purchased for resale		
Change in inventories (merchandise)			Sale of products (goods and services)		
Procurement supply			Production stock		
Change in inventories (supply)			Capitalised production costs		
Other external charges			Operating subsidy		
Taxes, duties and similar payments	15 728	11 919	Other income	4 405	163 749
Personnel wages and salaries	20 400		Financial income		
Social security contributions					
Depreciation provision					
Charge to provisions					
Other charges					
Financial expenses		159 850			
TOTAL (I)	36 128	171 769	TOTAL (I)	4 405	163 749
NON-RECURRING EXPENSES (II)	2 050		NON-RECURRING INCOME (II)		
TAX ON PROFITS (III)	41 000				
TOTAL EXPENSES (I+II+III)	79 178	171 769	TOTAL INCOME (I+II)	4 405	163 749
PROFIT OR LOSS	-74 773	-8 020			
GENERAL TOTAL	4 405	163 749	GENERAL TOTAL	4 405	163 749

<p style="text-align: center;">IMPERIAL TOBACCO FINANCE FRANCE SUPPLEMENT TO THE FINANCIAL STATEMENTS AT 30 SEPTEMBER 2014</p>
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(AMOUNTS EXPRESSED IN THOUSANDS OF EURO)

1 – Accounting principles and methods

- 1.1 – Summary of the principles
- 1.2 – Modes and methods applied to the different items on the balance sheet and income statement
 - 1.2.1 - Debts and claims
 - 1.2.2 – Currency operations

2 - Notes on the balance sheet

- 2.1 – Share capital
- 2.2 – Investments – miscellaneous claims
- 2.3 – Statement of provisions
- 2.4 – Contingent liabilities
- 2.5 – Change in equity
- 2.6 – Debts
- 2.7 – Charges incurred

3 – Notes on the income statement

- 3.1 – Personnel
- 3.2 – Operating results
- 3.3 – Financial results
- 3.4 - Non-recurring results

4 – Other information

- 4.1 – Company consolidating the accounts
- 4.2 – Events subsequent to the end of the financial year
- 4.3 – Information relating to associated companies
- 4.4 – Key factors

1 – ACCOUNTING PRINCIPLES AND METHODS

1.1 – SUMMARY OF THE PRINCIPLES

General accounting principles were applied in compliance with the principle of prudence, in accordance with the following basic hypotheses:

- Going concern assumption
- Comparability principle of the accounting methods from one fiscal year to the next according to general rules for preparing and presenting annual financial statements
- Independence of the fiscal years

The basic method adopted was evaluation of historic costs of the items posted in the accounts. The financial statements were drawn up according to the chart of accounts and in accordance with CRC 99.03 regulations. The closing date of the financial and tax year was changed in 2008 and is now 30 September instead of 31 December.

1.2 – MODES AND METHODS APPLIED TO DIFFERENT ITEMS ON THE BALANCE SHEET AND INCOME STATEMENT

1.2.1 – Debts and claims

Debts and claims were assessed at their nominal values.

Claims were, if necessary, depreciated by means of provisions to take into account any recovery difficulties.

1.2.2 – Currency operations

Foreign currency charges and income were recorded at their exchange value in Euro on the operation date. Debts, claims and cash in foreign currencies were posted in the balance sheet at their exchange value in Euro at their year-end price.

The difference resulting from this conversion was posted in the balance sheet in the “exchange adjustments” column for debts and claims.

Unrealised losses not covered by currency hedging are the subject of a contingency reserve.

2 – NOTES ON THE BALANCE SHEET

2.1 – Share capital

The share capital is fixed at 1 000 000 Euros and divided into 100 000 shares with a nominal price of 10 Euro each.

DISTRIBUTION OF THE CAPITAL OF IMPERIAL TOBACCO FINANCE FRANCE AT 30/09/14

	Number of shares	% of the capital
SEITA 143 boulevard Romain Rolland 75014 PARIS	100 000	100%
TOTAL	100 000 shares	

2.2 – INVESTMENTS – Miscellaneous claims

No loans were granted in 2014. With regard to current accounts, miscellaneous claims falling due after one year are in Euro and relate to associated companies.

Amounts in thousands of Euro

Seita current account	1163.1
TOTAL MISCELLANEOUS CLAIMS	1163.1

2.3 – STATEMENT OF PROVISIONS

Amount in thousands of Euro

	<u>2014</u>	Amount at 01.01.13	Increases	Reduction Recovery	Amount at 30.09.14
Type of provisions					
- Contingency and loss provision:			<u>None</u>		
- Exchange risk					
- Credit risk					

2.4 – CONTINGENT LIABILITIES

No interest rate or exchange rate financial tool was subscribed by Imperial Tobacco Finance France at the end of 2014.

2.5 – CHANGE IN EQUITY

	Equity as at 1/10	Income as at 30/09	Dividends paid to the shareholder	Change in tax provisions	Withdrawal from revaluation reserve	Share capital increase	Optional reserve and interim dividends	Unavailable reserve	Equity as at 30/09
2014	1 905.6	- 74.8	-680.0						1 150.8

2.6 DEBTS

None

2.7 CHARGES INCURRED

Amounts in thousands of Euros

	YEAR 2014	YEAR 2013
Charge incurred	(12.4)	(16.8)

Composed only of the provision of auditors' fees.

3 – NOTES ON THE INCOME STATEMENT

3.1 – PERSONNEL

Personnel: none

3.2 – OPERATING RESULT

Amounts in thousands of Euro

	YEAR 2014	YEAR 2013
External personnel	0.0	0.0
Bank services	(0.1)	(0.29)
Other taxes	(20.4)	0.0
Other external services	(15.7)	(11.6)
Other charges		
Operating result	(36.2)	(11.9)

3.3 – FINANCIAL RESULT

Amount in thousands of Euro

	YEAR 2014	YEAR 2013
Financial interest income (*)	4.4	163.7
Financial interest expenses (*)	0.0	(159.9)
	<hr/>	<hr/>
Net financial interest income	4.4	3.9
Exchange rate results	0.0	0.0
Charge to financial provisions	0.0	0.0
Recovery of provisions		
Net financial result	(4.4)	3.9

(*) Financial interest income and expenses relate to interest linked to payment of current accounts of associate companies.

3.4 – NON-RECURRING RESULT

Amount in thousands of Euro

	YEAR 2014	YEAR 2013
Non-recurring income	0.00	0.00
Non-recurring expenses (*)	(2.05)	0.00
	<hr/>	<hr/>
Net financial interest income	(2.05)	0.00

(*) Composed solely of the late payment penalty due on 2011 and 2012 annual fixed tax payments

4 - MISCELLANEOUS INFORMATION

4.1 – COMPANY CONSOLIDATING THE ACCOUNTS

IDENTITY OF THE PARENT COMPANY CONSOLIDATING THE ACCOUNTS OF THE FULLY CONSOLIDATED COMPANY

**IMPERIAL TOBACCO LIMITED (French branch)
121 Winterstoke Road, Bristol BS3 2LL, United Kingdom**

4.2 – EVENTS SUBSEQUENT TO THE END OF THE YEAR

None

4.3 – INFORMATION RELATING TO ASSOCIATE COMPANIES

No operation with associate companies within the meaning of the ANC No. 2010-02 regulation of 02/09/10 was recorded.

4.4 – KEY FACTORS

Change of company name from ALTADIS FINANCIAL SERVICES to IMPERIAL TOBACCO FINANCE France.

IMPERIAL TOBACCO FINANCE FRANCE SAS

**Rapport du commissaire aux comptes
sur les comptes annuels**

(Exercice clos le 30 septembre 2014)



Rapport du commissaire aux comptes sur les comptes annuels

(Exercice clos le 30 septembre 2014)

Aux Associés
IMPERIAL TOBACCO FINANCE FRANCE SAS
143, Boulevard Romain Rolland
75014 Paris

Mesdames, Messieurs,

En exécution de la mission qui nous a été confiée par décision collective des associés, nous vous présentons notre rapport relatif à l'exercice clos le 30 septembre 2014, sur :

- le contrôle des comptes annuels de la société IMPERIAL TOBACCO FINANCE FRANCE SAS, 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 le président. 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 du président et dans les documents adressés aux associés sur la situation financière et les comptes annuels.

Fait à Neuilly-sur-Seine, le 19 janvier 2015

Le commissaire aux comptes
PricewaterhouseCoopers Audit



Camille Phelizon

ACTIF	Brut	Exercice N Amortissements et dépréciations	Net	N-1 Net	PASSIF	Exercice N net	Exercice N-1 net
Actif immobilisé :					Capitaux propres		
Immobilisations incorporelles					Capital	1 000 000	1 000 000
- Fonds commercial							
- Autres					Réserves :		
Immobilisations corporelles					- Réserve légale		
Immobilisations financières					- Réserves réglementées	102 023	102 023
TOTAL I					- Autres		
Actif circulant :							
Stocks et en-cours (autres que					Report à nouveau		
marchandises)					Acompte sur dividendes	803 561	811 580
Marchandises					Résultat de l'exercice (bénéfice ou perte)	-680 000	
Avances et acomptes versés sur					Provisions réglementées	-74 773	-8 020
commandes					TOTAL I	1 150 811	1 905 583
Créances :				6 219			
Clients et comptes rattachés					Provisions pour risques et charges (II)		
Autres	1 163 147		1 163 147	1 869 692	Dettes		
Valeurs mobilières de placement					Emprunts et dettes assimilées		
Disponibilités (autres que caisse)	145		145	46 493	Avances et acomptes reçus sur		
Caisse					commandes		
TOTAL II	1 163 292		1 163 292	1 922 404	Fournisseurs et comptes rattachés	12 481	16 820
Charges constatées d'avance (III)					Autres		
					TOTAL III	12 481	16 820
					Produits constatés d'avance (IV)		
TOTAL GENERAL (I+II+III)	1 163 292		1 163 292	1 922 404			
					TOTAL GENERAL (I+II+III+IV)	1 163 292	1 922 404

COMPTE DE RESULTAT SYNTHETIQUE
IMPERIAL TOBACCO FINANCE FRANCE (ITFF) SAS
Edition du : 01/10/2013 au 30/09/2014

COMPTE DE RESULTAT SYNTHETIQUE
IMPERIAL TOBACCO FINANCE FRANCE (ITFF) SAS
Edition du : 01/10/2013 au 30/09/2014

CHARGES (Hors taxes)	Exercice N Net	Exercice N-1 Net	PRODUITS (Hors taxes)	Exercice N net	Exercice N-1 net
CHARGES D'EXPLOITATION :			PRODUITS D'EXPLOITATION		
Achats de marchandises			Ventes de marchandises		
Variation de stock (marchandises)			Production vendue (biens et services)		
Achats d'approvisionnement			Production stockée		
Variation de stock (approvisionnement)			Production immobilisée		
Autres charges externes	15 728	11 919	Subventions d'exploitation		
Impôts, taxes et versements assimilés	20 400		Autres produits		
Rémunération du personnel			Produits financiers	4 405	163 749
Charges sociales					
Dotations aux amortissements		159 850			
Dotations aux provisions					
Autres charges					
Charges financières					
TOTAL (I)	36 128	171 769	TOTAL (I)	4 405	163 749
CHARGES EXCEPTIONNELLES (II)	2 050		PRODUITS EXCEPTIONNELS (II)		
IMPOTS SUR LES BENEFICES (III)	41 000				
TOTAL DES CHARGES (I+II+III)	79 178	171 769	TOTAL DES PRODUITS (I+II)	4 405	163 749
BENEFICE OU PERTE	-74 773	-8 020			
TOTAL GENERAL	4 405	163 749	TOTAL GENERAL	4 405	163 749

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'IMPERIAL TOBACCO FINANCE FRANCE AU 30/09/14

	Nombre de parts sociales	% du capital
SEITA 143 boulevard Romain Rolland 75014 PARIS	100 000	100 %
TOTAL	100 000 parts	

2.2 – PLACEMENTS - Créances diverses

Aucun prêt n'a été consenti en 2014. S'agissant de comptes courants, les créances diverses sont à plus d'un an, en euro et concernent les entreprises liées.

Montants en milliers d'euros

Compte courant Seita	1163,1
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TOTAL CREANCES DIVERSES	1163,1
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2.3 – ETAT DES PROVISIONS

Montants en milliers d'euros

	<u>2014</u>	Montant au 01.10.13	Augmentation Dotations	Diminutions Reprises	Montant au 30.09.14
Nature des provisions					
- Provisions pour risques et charges :				<u>Néant</u>	

- Risque de change
- Risque de contrepartie

2.4 – ENGAGEMENTS HORS BILAN

Il n'y a aucun instrument financier de taux ou de change souscrits par Impérial Tobacco Finance France à fin 2014.

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
2014	1 905,6	- 74,8	-680,0						1 150,8

2.6 – DETTES

Néant

2-7 – CHARGES A PAYER

Montants en milliers d'euros

	EXERCICE 2014	EXERCICE 2013
Charges à payer	(12.4)	(16.8)

Composé uniquement de la provision des honoraires des commissaires aux comptes.

3 - NOTES SUR LE COMPTE DE RESULTAT

3.1- EFFECTIF

Effectif : néant

3.2- RESULTAT D'EXPLOITATION

Montants en milliers d'euros

	EXERCICE 2014	EXERCICE 2013
Personnel extérieur	0,0	0,0
Services bancaires	(0,1)	(0,29)
Autres impôts	(20,4)	0,0
Autres services extérieurs	(15,7)	(11,6)
Autres charges		
Résultat d'exploitation	(36,2)	(11,9)

3.3- RESULTAT FINANCIER

Montants en milliers d'euros

	EXERCICE 2014	EXERCICE 2013
Produits d'intérêts financiers (*)	4,4	163,7
Charges d'intérêts financiers (*)	0,0	(159,9)
Produits d'intérêts financiers nets	4,4	3,9
Résultat de change	0,0	0,0
Dotations aux provisions financières	0,0	0,0
Reprises aux provisions financières		
Résultat financier net	(4,4)	3,9

(*) Les produits et charges d'intérêts financiers concernent les intérêts liés à la rémunération des comptes courants des entreprises liées.

3.4 RESULTAT EXCEPTIONNEL

Montants en milliers d'euros

	EXERCICE 2014	EXERCICE 2013
Produits exceptionnels	0,00	0,00
Charges exceptionnels (*)	(2,05)	0,00
	<hr/>	<hr/>
Produits d'intérêts financiers nets	(2,05)	0,00

(*) Composé uniquement de la pénalité de retard due sur le paiement de l'IFA 2011 et 2012

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.

4.4- FAITS CARACTERISTIQUES

Changement de dénomination sociale de ALTADIS FINANCIAL SERVICES pour IMPERIAL TOBACCO FINANCE France.

Registered office of

**Imperial Brands Finance PLC,
Imperial Brands PLC and
Imperial Tobacco Limited**
121 Winterstoke Road
Bristol BS3 2LL
England

Imperial Brands Finance France SAS
143 boulevard Romain Rolland
75685 Paris CEDEX 14
France

DEALERS

Banca IMI S.p.A.
Largo Mattioli 3
20121 Milan
Italy

Banco Bilbao Vizcaya Argentaria, S.A.
One Canada Square
44th Floor
London E14 5AA
United Kingdom

Banco Santander, S.A.
Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

Bank of China Limited, London Branch
1 Lothbury
London
EC2R 7DB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

**Crédit Agricole Corporate
And Investment Bank**
12, Place des Etats-Unis CS70052
92547 Montrouge Cedex
France

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

Mizuho International plc
Mizuho House
30 Old Bailey
London EC4M 7AU
United Kingdom

SMBC Nikko Capital Markets Limited
One New Change
London EC4M 9AF
United Kingdom

Société Générale
29 boulevard Haussmann
75009 Paris
France

**The Royal Bank of Scotland plc
(trading as NatWest Markets)**
250 Bishopsgate
London EC2M 4AA
United Kingdom

Unicredit Bank AG
Arabellastrasse 12
81925 Munich
Federal Republic of Germany

ISSUING AND PAYING AGENT, PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon

1 Canada Square
London E14 5AL
England

REGISTRAR, PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon (Luxembourg) S.A.

Vertigo Building – Polaris
2-4 Eugène Ruppert
L-2453 Luxembourg

TRUSTEE

BNY Mellon Corporate Trustee Services Limited

1 Canada Square
London E14 5AL
England

AUDITORS

To Imperial Finance, Imperial Tobacco and ITL

PricewaterhouseCoopers LLP

2 Glass Wharf
Bristol BS2 0FR
England

To Imperial Finance France

PricewaterhouseCoopers Audit SA

63 rue de Villiers
92208 Neuilly-sur-Seine Cedex
France

LEGAL ADVISERS

To the Issuers, the Guarantor and ITL

as to English law and French law

Allen & Overy LLP

One Bishops Square
London E1 6AD
England

To the Dealers

as to English law and French law

Linklaters LLP

One Silk Street
London EC2Y 8HQ
England