



Trading & Regulatory Update

Imperial Tobacco Group PLC

25th March 2009



Gareth Davis

Chief Executive



Alison Cooper

Chief Operating Officer

Regulatory framework



Tobacco farming
Alternative crops
Pesticides
Sustainability
ECLT
Supply
Deforestation

Ingredients
TNCO
Testing
Hoffman Analytes
PREPS
R&D
ISO
Biodegradability

Packaging
Waste
Energy conservation
Carbon trading
Excise & Tariffs
Smuggling
Counterfeit
MoUs

Advertising
Marketing
Pack size
Point of Sale
Pricing
Health Warnings
Pictorials
Descriptors
Vending
Product display
IPR
Retailers
Duty Free

Consumer freedoms
Adult choice
SIPPs
Litter
LIPPs
ETS
Smoking and Health

USA SCHIP Legislation



- **Significant increase in federal tobacco tax from 1 April 09**
 - **state taxes also rising to meet budget deficits**
- **Impact on fine cut tobacco, papers and tubes negligible**
- **Decline in cigar market; trade stocking in large cigar expected**
- **Strength in discount cigarettes with USA Gold and Sonoma**
 - **capitalise on consumer downtrading**
- **Price increases implemented to improve competitive position**

EU Tobacco Excise Tax Directive



- **Formal European Commission Report in July 2008**
- **Proposals seek:**
 - **overall tax simplification**
 - **increase fine cut tobacco tax**
- **Must be unanimously agreed by all 27 Member States**
- **Potential difficulty in meeting original 2010 deadline**

- **164 Parties to the Convention**
- **Non-binding guidelines and legally binding protocols**
- **No protocols agreed and only four guidelines adopted**
 - **environmental tobacco smoke and SiPPs**
 - **packaging and labelling**
 - **advertising, promotion and sponsorship**
 - **restricting the role of the tobacco industry**

Product Display

UK Consultation



- **No plain packaging or vending/10s bans**
- **Product display ban being developed**
- **House of Lords discussions ongoing**
- **House of Commons debate expected late April**

Product Display

Republic of Ireland



- **Stricter rules on sale of tobacco products from July 09**
- **Tobacco products will not have to be under the counter**
- **Retailers unable to openly display pictorial product list**
- **Pictorial product list can be provided upon request**
- **Consumers can ask to see one pack of each product**

Product Display

Our View



- **Advocates of bans claim they will stop people smoking**
- **Data from Canada and Iceland shows no impact**
- **Display bans are anti-competitive and fuel illicit trade**
- **Considerable cost and work burden on retailers**

“...there is no international evidence that it actually works and it’s hugely expensive to do it.”

Prime Minister John Key

Smoking in Public Places

European Union



- **Legislation is disproportionate and unnecessary**
- **EU Commission views conflict with Member States**
- **Some provision for smokers in many Member States**
- **Prefer solutions that retain freedom and choice**

Smoking in Public Places

Germany



- **Mix of regulations across all 16 federal states**
- **All permit smoking in separate rooms, except Bavaria**
- **July 2008 court ruling overturned two state bans**
- **All states amending local legislation by end of 2009**

Smoking in Public Places

International



- No international consensus towards outright bans
- Taiwan: segregated smoking areas allowed
- Morocco: larger cafes and restaurants can permit smoking
- India: some restrictions in hotels and restaurants
- Impact on cigarette consumption diminishes over time

Pictorial Health Warnings



- **Introduced in UK and Latvia in October 2008**
- **Bulgaria, France, Ireland considering pictorials**
- **Spain, Greece, Hungary, Slovenia have no plans**
- **Makes no contribution to awareness of health risks**
- **Stigmatises smokers and denormalises smoking**
- **No evidence of pictorials affecting consumption**

Lower Ignition Propensity Products



- **No such thing as a “fire safe” cigarette**
- **Required in Canada and 23 states in the USA**
- **To be introduced in Australia in March 2010**
- **EU is currently developing similar legislation**
- **Commonwealth Brands experience in the USA**

Product Liability Litigation



- No action successful or settled in favour of any claimant in any tobacco-related litigation
- Successfully defended claims in many countries
- Continue to vigorously defend all claims
 - Ireland – 11 claims
 - Spain – 1 claim
 - USA – 3 individual claims
 - Australia – 1 claim
 - Italy – 2 claims against Logista

- **Litigation landscape continues to improve**
- **Regulatory environment remains challenging**
- **Legitimate stakeholder entitled to express views**
- **Oppose unnecessary and disproportionate regulation**



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