

Infifon ApS

Harbour House
Sundkrogsgade 21
2100 Copenhagen

CVR no. 25 50 17 64

Annual Report 2015

Chairman


Pernille Ohlsen

Approved at the Company's Annual General Meeting on

~~25~~-05-16

26

CONTENTS

Management's report	2
Independent auditors' report	3
Company information.....	5
Management's review	6
Accounting policies	7
Income statement for the period 1 January - 31 December.....	10
Proposed distribution of profit/loss	11
Balance 31 December.....	12
Notes to the financial statements.....	14

MANAGEMENT'S REPORT

The Board of Directors and Management have today discussed and approved the Annual Report of Infifon ApS for the financial year 1 January 2015 - 31 December 2015.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January 2015 - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the Annual Report be approved at the Annual General Meeting.

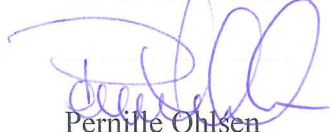
Copenhagen, 25 May 2016

Management



Michael Jensen

Board of Directors



Pernille Ohlsen



Michael Jensen



Søren Søgaard

INDEPENDENT AUDITORS' REPORT

To the shareholders of Infifon ApS.

Independent auditors' report on the financial statements

We have audited the financial statements of Infifon ApS for the financial year 1 January 2015 – 31 December 2015, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating 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.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January 2015 – 31 December 2015 in accordance with the Danish Financial Statements Act.

Infifon ApS

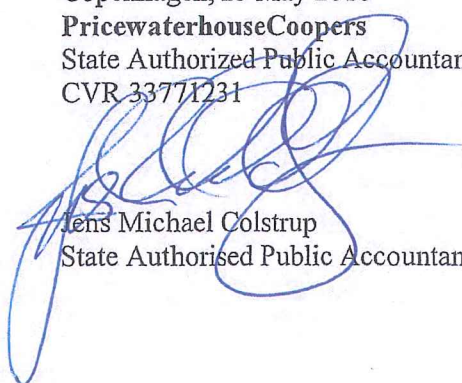
INDEPENDENT AUDITORS' REPORT

Statement on the Management's Review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 25 May 2016

PricewaterhouseCoopers
State Authorized Public Accountants
CVR 33771231



Jens Michael Colstrup
State Authorised Public Accountant

Infifon ApS

COMPANY INFORMATION

Company name	Infifon ApS
CVR no.	25 50 17 64
Address	Harbour House Sundkrogsgade 21 2100 Copenhagen
Date of incorporation	12. juli 2000
Municipality of domicile	Copenhagen
Management	Michael Jensen
Board of Directors	Pernille Ohlsen Chairman Michael Jensen Søren Søgaard
Auditors	PricewaterhouseCoopers Strandvejen 44 DK-2900 Hellerup
Annual General Meeting	25-05-16
Chairman	Pernille Ohlsen
Ownership control	The Company is owned by: Altabana S.L. Sor Angela de la Cruz, 10 1°C ES-28020 Madrid

MANAGEMENT'S REVIEW

Principal activities of the Company

The Company's objects are to participate in, to collaborate with, to acquire, hold and dispose of, to manage or otherwise have an interest in or finance other companies or undertakings, to be a holding company, to grant and raise loans, to perform all forms of financial transactions, and to provide security for other companies and undertakings, whether such companies or undertakings are affiliated with the company or not.

Unusual circumstances

No unusual circumstances have affected the Company's activities during the year.

Uncertainty regarding recognition and measurement

The Company has no uncertainty regarding recognition and measurement.

Development in activities and financial matters

The Company's financial position and the result of the year will be shown in the following income statement of the financial year 1 January 2015 - 31 December 2015 and the balance sheet as per 31 December 2015.

It is the Company's 15th financial year. The Annual Report is prepared in EUR.

The result for the year shows a profit of EUR 14,156,340. The Management considers the result to be satisfactory.

Subsequent events

No significant events have occurred after the balance sheet date, which could have influence on the evaluation of the Annual Report.

Future prospects

The Company expects a profit for the coming year.

ACCOUNTING POLICIES

The Annual Report of the Company has been prepared in accordance with the provisions of the Danish Financial Statements Act for Class B companies.

The most significant elements of the accounting principles applied are described below. The accounting principles were applied consistently with the principles of prior year's financial reporting.

Consolidated financial statements

The company and its subsidiary companies comprise a group. In accordance with the Danish Annual Accounts Act consolidated financial statements for the Group have not been prepared, as the company itself is a subsidiary of a parent company with registered office in a country in EU. The consolidated financial statements are prepared at the foreign parent company and audited in accordance with the legislation of its home country.

The foreign parent company is Altabana S.L., Sor Angela de la Cruz, 10 1^oC, Madrid, Spain from where the consolidated annual report can be requested.

Furthermore, the company's ultimate parent, Imperial Brands PLC, prepares consolidated financial statements into which the company is incorporated as a subsidiary. The consolidated financial statements of the foreign ultimate parent company can be obtained at the following address: P.O. Box 244 Upton Road Bristol (UK), www.imperialbrandsplc.com.

Recognition and measurement

Revenue is recognised in the income statement as it is earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, write downs and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each individual item below.

Certain financial assets and liabilities are measured at cost, thus recognising a constant effective interest over the term. Amortised cost is computed as original cost less deductions, if any, as well as additions/deductions of the accumulated amortisation of the difference between cost and nominal value.

When recognising and measuring assets and liabilities, any gains, losses and risks occurred prior to the presentation of the Annual Report will be considered and evidence of such conditions existing at the balance sheet date will be taken into account.

ACCOUNTING POLICIES

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the date of the transaction.

Receivables, liabilities and other items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Realised and unrealised exchange rate adjustments are included in the income statement as financial income/expenses.

Income statement

Other external expenses

Other external expenses comprise expenses for administration, premises, etc.

Staff expenses

Staff expenses include wages and salaries, incl. vacation pay and pensions and other social security costs, etc. of its employees. The staff expenses are deducted from payments received from public authorities.

Dividend from subsidiaries

Dividend from subsidiaries is recognised in the financial year when the dividend is declared. If the dividend declared exceeds the retained earnings from the subsidiaries during the period of ownership, the difference is treated as a write-down of investment in subsidiaries.

Financial items

Financial income and expense and similar items are recognised in the income statement with the amounts relating to the reporting period. Net financials include interest income and expense and realised and unrealised exchange rate gains and losses on foreign currency transactions.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Financial fixed assets

Investments in subsidiaries

Investments in subsidiaries are measured at cost.

Receivables

Receivables are measured at amortised cost. Write-downs for bad debt are based on individual assessment of receivables.

ACCOUNTING POLICIES

Dividend

The proposed dividend for the financial year is recognised as a special item under equity.

Tax assets, receivables and liabilities

Current tax liabilities and outstanding current tax are recognised in the balance sheet as computed tax on the taxable income for the year adjusted for tax on previous years' taxable income as well as for tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between accounting and tax values of assets and liabilities. In cases, e.g. regarding shares where computation of the tax value can be made according to alternative tax rules, deferred tax is measured either on basis of the planned use of the asset or on settlement of the liability.

Deferred tax assets, including the tax value of tax loss carry forwards, are measured at expected realisable value, either by payment of tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Deferred net tax assets, if any, are measured at net realisable value.

Deferred tax is measured on basis of the tax rules and tax rates ruling at balance sheet date, when the deferred tax is expected to become current tax. Changes in deferred tax because of changes in tax rates are recognised in the income statement. On the basis of the assessment made by the management in regards to realisation of the Company's assets a tax rate of 22% has been applied when calculating deferred tax. When calculating tax on a net profit for the year the current tax rate of 23.5% has been applied.

Liabilities

Liabilities are measured at amortised cost equal to nominal value.

INCOME STATEMENT FOR THE PERIOD 1 JANUARY - 31 DECEMBER

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		EUR	EUR
Other external expenses		(28,947)	(36,481)
Staff costs	1	<u>(38,149)</u>	<u>(50,670)</u>
Profit/(loss) before financial items		(67,096)	(87,151)
Income from investments in subsidiaries and associates	2	14,124,687	12,059,029
Financial income	3	572,771	145,749
Financial expenses	4	<u>(443,960)</u>	<u>(61,854)</u>
Profit/(loss) before tax		14,186,402	12,055,773
Tax on net profit/(loss) for the year	5	<u>(30,062)</u>	<u>(16,966)</u>
Net profit/(loss) for the year		<u>14,156,340</u>	<u>12,038,807</u>

PROPOSED DISTRIBUTION OF PROFIT/LOSS

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		EUR	EUR
Proposed distribution of profit/loss			
Interim dividend		7,500,000	5,000,000
Declared dividend		6,656,340	7,038,807
Retained earnings		<u>0</u>	<u>0</u>
Total Distribution		<u>14,156,340</u>	<u>12,038,807</u>

BALANCE 31 DECEMBER

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		EUR	EUR
ASSETS			
Investments in subsidiaries	6	39,648,727	39,648,727
Receivables from affiliates		1,304,132	609,699
Total financial fixed assets		40,952,859	40,258,426
Total fixed assets		40,952,859	40,258,426
Receivables from affiliates		0	1,453,081
Total receivables		0	1,453,081
Cash and cash equivalents		996,407	637,673
Total cash and cash equivalents		996,407	637,673
Total current assets		996,407	2,090,754
Total assets		41,949,266	42,349,180

BALANCE 31 DECEMBER

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		EUR	EUR
EQUITY AND LIABILITIES			
Share capital		23,072,614	23,072,614
Share premium account		12,201,212	12,201,212
Proposed dividend		6,656,340	7,038,807
Total shareholders' equity	7	41,930,166	42,312,633
Trade payables		17,530	24,136
Other payables		1,570	12,411
Total short-term liabilities		19,100	36,547
Total liabilities		19,100	36,547
Total liabilities and shareholders' equity		41,949,266	42,349,180
Contractual obligations and contingencies, etc.	8		

NOTES TO THE FINANCIAL STATEMENTS

1	Staff costs	2015 EUR	2014 EUR
	Salaries and wages	38,017	50,525
	Other social security cost	132	145
	Staff costs total	38,149	50,670
	Average number of employees during the year 1, last year 1.		
2	Income from investments in subsidiaries and associates	2015 EUR	2014 EUR
	Dividend received from subsidiaries	14,124,687	12,066,225
	Gain/(loss) on disposal of investment	0	(7,196)
	Income from investments in subsidiaries and associates total	14,124,687	12,059,029
3	Financial income	2015 EUR	2014 EUR
	Interest income, intercompany	13,469	42,795
	Exchange rate gain	559,302	102,954
	Financial income total	572,771	145,749
4	Financial expenses	2015 EUR	2014 EUR
	Interest expenses, bank	4,488	795
	Exchange rate loss	439,472	61,059
	Financial expenses total	443,960	61,854

NOTES TO THE FINANCIAL STATEMENTS

5	Tax on net profit/(loss) for the year	2015 EUR	2014 EUR
	Withholding interest tax	<u>(30,062)</u>	<u>(16,966)</u>
	Tax on net profit/(loss) for the year total	<u>(30,062)</u>	<u>(16,966)</u>
6	Investments in subsidiaries	2015 EUR	2014 EUR
	Cost beginning of the year	58,769,892	58,762,696
	Acquisition during the year	<u>0</u>	<u>7,196</u>
	Cost end of the year	<u>58,769,892</u>	<u>58,769,892</u>
	Adjustment beginning of the year	(19,121,165)	(19,113,969)
	Write down	<u>0</u>	<u>(7,196)</u>
	Adjustment end of the year	<u>(19,121,165)</u>	<u>(19,121,165)</u>
	Investments in subsidiaries total	<u>39,648,727</u>	<u>39,648,727</u>

NOTES TO THE FINANCIAL STATEMENTS

6 Investments in subsidiaries

Name	Place of registration	Curr.	Share capital	Votes and ownership	Equity at 31 December 2015	Net profit/loss for the year
			Local Currency		EUR	EUR
Subsidiaries						
COIBA S.A.	Madrid, Spain	EUR	120,200	100%	426,263	25,616
Havana Cigar House Ltd.	Downsview, Ontario, Canada	CAD	100,000	50%	4,670,480	1,497,604
Diadema S.p.A.	Genova, Italy	EUR	612,000	60%	2,555,618	885,031
Cubacigar Benelux N.V.	Overijse, Belgium	EUR	200,000	100%	6,341,931	1,494,009
Caricorp S.A.	Geneve, Switzerland	CHF	100,000	100%	11,364,764	10,437,591
Infifon I B.V.	Rotterdam, Holland	EUR	79,411	100%	3,340,624	1,581,392
Hunter & Frankau Ltd.	London, England	GBP	678,001	50%	19,026,321	4,284,005

NOTES TO THE FINANCIAL STATEMENTS

6 Investment in subsidiaries

Name	Place of registration	Curr.	Share capital	Votes and ownership	Equity at 31 December 2015	Net profit/loss for the year
			Local Currency		EUR	EUR
Sub-subsidiaries						
Intertabak AG.	Münchenstein, Switzerland	CHF	500,000	50%	8,585,751	4,424,427
5th Avenue Products Trading GmbH	Waldshut-Tiegen, Germany	EUR	255,646	55%	4,062,169	6,100,884
Coprova S.A.S	Paris, France	EUR	1,500,000	100%	13,228,409	3,445,712
Phoenicia Beirut SAL	Beirut, Libanon	USD	19,901	50%	1,416,387	-3,314
Infifon Hong Kong	Hong Kong, China	HKD	11,710,000	100%	6,137,943	2,155,860
Infifon II N.V.	Nederlands Antilles	USD	6,100	100%	4,652,455	-382,988

Hunter & Frankau Limited also owns directly or indirectly the entire share capital of 13 subsidiaries which are registered in England and dormant.

7 Shareholders' equity	Share capital	Share premium account	Retained earnings	Proposed dividend	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance 1 January 2015	23,073	12,201	0	7,039	42,313
Result of the year	0	0	14,156	0	14,156
Dividend paid	0	0	0	(7,039)	(7,039)
Extraordinary dividend	0	0	(7,500)	0	(7,500)
Dividend current year	0	0	(6,656)	6,656	0
Shareholders' equity total	23,073	12,201	0	6,656	41,930

The capital comprises 172,312 shares of DKK 1,000 each.

NOTES TO THE FINANCIAL STATEMENTS

8 Contractual obligations and contingencies, etc.

The Company has not assumed any liabilities, in excess of the liabilities resulting from its ordinary business.

