

Court File No. 97-CT-017773

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**LJUBISA SPASIC, AS ESTATE TRUSTEE OF
THE ESTATE OF MIRJANA SPASIC**

Plaintiff

- and -

**IMPERIAL TOBACCO LIMITED, and
ROTHMANS, BENSON & HEDGES INC.**

Defendants

**STATEMENT OF DEFENCE
OF THE DEFENDANT IMPERIAL TOBACCO CANADA LIMITED**

1. The defendant, Imperial Tobacco Limited now Imperial Tobacco Canada Limited ("ITCL"), admits the allegations contained in the first sentence of paragraph 3 and in the first sentence of paragraph 4 of the Fresh as Amended Statement of Claim (the "Claim").
2. ITCL has no knowledge of the allegations contained in paragraphs 2 and in the balance of paragraph 4 of the Claim.
3. Unless otherwise specifically admitted, ITCL specifically denies all other allegations contained in the Claim.
4. With respect to the balance of paragraph 3 of the Claim, ITCL specifically denies those allegations and states that those allegations are in any event irrelevant and immaterial to any of the claims made by the plaintiff.

THE PLAINTIFF

5. The plaintiff began smoking cigarettes at the age of 13 in Yugoslavia and smoked Yugoslavian cigarettes regularly for 15 years until she came to Canada in 1975 at the age of 29.

6. ITCL denies that the plaintiff's medical condition was caused by smoking ITCL's cigarettes. Moreover, ITCL specifically denies that the plaintiff's medical condition was caused by any negligent or wrongful acts of ITCL.

7. In the alternative, the plaintiff was well aware at all relevant times of the health risks associated with smoking and in particular at all times before she began smoking ITCL's products she was aware of and understood the health warnings which appeared on every package of ITCL cigarettes which she purchased or consumed.

8. ITCL denies that the plaintiff was addicted to or dependent on cigarettes and states that the plaintiff could have quit smoking if she chose to do so. In the alternative, any dependence by the plaintiff on smoking was created prior to her coming to Canada and was not caused in any way by the actions of ITCL.

9. With respect to paragraph 7(e) of the Claim, ITCL specifically denies that the plaintiff was not aware of, did not understand, was confused about or was likely not to appreciate the nature, gravity and the extent of the health risks of cigarette smoking, including nicotine addiction. Before the plaintiff ever smoked cigarettes distributed by ITCL, she already believed that cigarettes were "dangerous and poisonous" and she also believed that smoking was addictive.

10. Notwithstanding all of this awareness the plaintiff chose to smoke of her own free will. ITCL pleads and relies upon the doctrine of *volenti non fit injuria*.

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11. Furthermore, the plaintiff did not purchase and consume cigarettes merely as a device for the delivery of nicotine. The plaintiff chose to smoke and continued to smoke for a variety of personal reasons including, for relaxation, to relieve stress and because she enjoyed smoking none of which had anything to do with any statements, communications, advertising or any other actions of ITCL.

ITCL'S PRODUCTS

12. ITCL distributes cigarettes in Canada containing tobacco leaves. Nicotine is a naturally occurring substance in the tobacco leaf. Cigarettes are a legal product that have been manufactured for decades and sold in every country of the world.

13. By law, the average nicotine and "tar" yields of all cigarettes distributed by ITCL, measured and reported as specifically prescribed by the regulations pursuant to the *Tobacco Act*, S.C. 1997 c. 13 or by predecessor requirements ("the Tobacco Statutes"), are clearly marked on every cigarette package. Nicotine is a naturally occurring substance in tobacco leaves. "Tar" is the name given to a combination of substances produced by the combustion of cigarettes. At all times, ITCL complied with the applicable legislative requirements relating to the measurement and disclosure of nicotine and "tar" yields on cigarette packages. Furthermore, ITCL at all times has complied with government regulations requiring regular reporting to government of "tar" and nicotine yields and product additives.

14. With respect to paragraph 7(k) of the Claim, ITCL specifically denies that it has ever artificially raised the nicotine level in its cigarettes to a level higher than that naturally occurring in the tobacco plant. In fact, the average nicotine yield of the cigarettes marketed by ITCL has been dramatically reduced over the past twenty years.

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15. None of the patents held by ITCL relates to the artificial alteration of nicotine levels in the cigarette.

16. With respect to paragraphs 7(f), 7(g), 7(n) and 16(b) of the Claim, some of ITCL's products are described as "light", "mild" or "ultra mild" because their average nicotine and "tar" yields, as measured by the requirements of the Tobacco Statutes, are lower than corresponding ITCL "regular" products. ITCL has never promoted these products as safer or as means to successfully quit smoking. ITCL denies that these products pose added dangers to consumers. These products were developed partly as a result of impetus from the Federal government to do so.

ADVERTISING AND MARKETING ACTIVITIES OF ITCL

17. ITCL's marketing and advertising activities have been designed only to maintain or increase ITCL's market share by seeking to persuade existing smokers of ITCL's brands not to switch to competitors' brands and by offering brands attractive to smokers of ITCL's competitors' brands. Furthermore, between 1989 and 1995, and again after 1997, ITCL was prevented from advertising its products by the provisions of the Tobacco Statutes, with which it complied at all times.

18. ITCL denies that it engaged at any material time in labelling, promotional or public advocacy activity that reassured the plaintiff that it was safe or socially acceptable to smoke, or that conveyed any of the matters listed in paragraph 7(o) of the Claim.

19. In any event, at no time did any of ITCL's marketing activities impact the plaintiff's decision to smoke or continue to smoke. The plaintiff began smoking before she came

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to Canada and continued to smoke purely as a result of her own desire. At no time did the plaintiff rely on any actions or statements of ITCL in making these decisions.

DUTY TO WARN

20. ITCL denies that it at any time misinformed the public in general and the plaintiff in particular about any research regarding the nature or effects of cigarette smoking or of nicotine.

21. ITCL also states that it had no duty or obligation to the plaintiff or other consumers, nor has it breached any duty to warn, with respect to the design, manufacture and marketing of its products.

22. Between 1972 and 1995, Health and Welfare Canada required ITCL to place health messages on its products. Furthermore, from 1989 forward the Tobacco Statutes expressly prohibited ITCL from including any messages on its products other than those specifically prescribed. At all times ITCL complied with the provisions of the Tobacco Statutes and between January 1, 1996 and April, 1997, it complied with a Voluntary Code relating to branded advertising self-imposed by Canadian manufacturers of tobacco.

23. Since 1975 when the plaintiff began to consume ITCL's products, in addition to the prominent health message contained on ITCL's products and in its advertisements, there has been an abundance of published studies, media stories and information disseminated to the general public and otherwise in the public domain, which informs of the potential health consequences associated with smoking and nicotine "addiction".

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24. The plaintiff herself saw a warning on every single package of cigarettes she bought in Canada and understood the warning to mean that cigarette smoking was dangerous to her health.

25. ITCL specifically denies that it failed to warn adequately of the risks allegedly associated with smoking and states that any inadequacy since 1972, which is not admitted but denied, is wholly attributable to the requirements imposed by the Tobacco Statutes as described in paragraphs 13 and 22 above.

26. Furthermore, the plaintiff was adequately warned or otherwise made aware of the risks associated with smoking. As stated in paragraphs 7 and 9 above, the plaintiff herself was aware of the health issues and addiction issues concerning smoking when she made the personal decision to start smoking and to continue to smoke ITCL's products. Therefore, any such risks were, or should have been, contemplated by the plaintiff.

27. In addition, the plaintiff voluntarily assumed any health risks associated with smoking when she voluntarily chose to smoke and to continue to smoke when she was aware, or ought to have been aware, of the alleged health risks as a result of the warnings and other publicly available information described in paragraph 23 above.

28. In any event, any further or additional warnings would have had no impact on the plaintiff.

NEGLIGENT MISREPRESENTATION AND DECEIT ALLEGATIONS

29. ITCL denies that it misrepresented its products, either intentionally or unintentionally, in any manner whatsoever and specifically denies making any of the misrepresentations alleged in paragraph 9 of the Claim.

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30. Furthermore, ITCL relies on the provisions of the Tobacco Statutes and Health and Welfare Canada's measurement and reporting requirements for nicotine and "tar" yields for its products, as more fully described in paragraph 13 above.

31. ITCL specifically denies that the plaintiff relied on any alleged representations or omissions made by ITCL and further denies that the plaintiff as a result of any representations or omissions was induced to consume ITCL's products, or that the plaintiff thereby became "addicted" to ITCL's products or thereby suffered serious medical consequences. ITCL states that the plaintiff started to smoke and continued to smoke for her own personal reasons, having nothing to do with any actions of ITCL.

PRODUCTS LIABILITY

32. ITCL specifically denies that it has manufactured, designed, sold or distributed defective products. ITCL further denies that its products are inherently dangerous, dangerously defective or otherwise defective.

33. Furthermore, ITCL denies that it is strictly liable in law for any defects in its products, the existence of which is denied.

34. In any event, ITCL did not breach any duty to warn of any potential dangers, the existence of which is denied, by virtue of the health messages and "tar" and nicotine yields which are clearly marked on all of its cigarette packages as more fully explained in paragraphs 13 and 22 above.

35. In addition, the plaintiff was, or ought to have been aware, of the alleged dangers of smoking as a result of the warnings and other information otherwise available to the public as explained in paragraph 23 above.

BREACHES OF EXPRESS AND IMPLIED WARRANTIES

36. ITCL specifically denies owing any obligations to the plaintiff by virtue of any warranty or condition of merchantability or fitness implied under the *Sale of Goods Act*. Any obligations by virtue of any implied warranties or conditions, the existence of which are specifically denied, would be owed by the retailers of ITCL's products who actually sold them to the plaintiff. ITCL did not retail or otherwise sell any of its products to the plaintiff.

37. In any event, at all times, all the ITCL products distributed by ITCL and consumed by the plaintiff were and are merchantable and fit for the purpose for which they were intended.

CONSPIRACY ALLEGATIONS

38. ITCL specifically denies at any time conspiring with other persons to injure the plaintiff or for any illicit or actionable purpose, or for any of the purposes alleged in the Claim.

39. ITCL denies that it has been guilty of the acts complained of or of any wrongful act towards the plaintiff, as alleged or at all, or in any circumstances rendering ITCL liable.

SPOILIATION

40. ITCL denies that it owed any duty to the plaintiff to preserve or retain documents or other evidence relative to the plaintiff's claim as alleged. In the alternative, if any such duty existed, ITCL denies it breached such duty.

41. ITCL states that any destruction or loss of documentary or other information which may have occurred in the ordinary course of business or as a result of the operation of document retention policies prior to the commencement of this litigation has not in any way

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prevented the plaintiff from properly and fully investigating the facts relevant to the causes of action set out elsewhere in the Claim nor was it intended to do so.

42. In any event, ITCL denies that it was, at any time prior to the Claim in this action being served upon ITCL, under any duty to maintain documents or other information which might be relevant to the plaintiff's claim against ITCL.

43. In the alternative, ITCL denies that the plaintiff is entitled to any relief, even if all of the facts alleged in paragraphs 8 to 15 of the Claim are proven. ITCL denies that the claim for spoliation gives rise to a cause of action known at law.

DAMAGES

44. ITCL specifically denies that the plaintiff suffered damages as a result of its conduct. In the alternative, if the plaintiff suffered damages she breached her duty to mitigate her damages by, among other things, refusing to quit smoking.

45. In the alternative, the damages claimed by the plaintiff are excessive, remote and not otherwise recoverable at law.

46. Furthermore, ITCL states that all of the causes of action asserted by the plaintiff are statute-barred by the applicable limitation period.

47. ITCL therefore, requests that this action be dismissed with costs.

May 1, 2003

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**LJUBISA SPASIC, AS ESTATE TRUSTEE
OF THE ESTATE OF MIRJANA SPASIC**
Plaintiff

**IMPERIAL TOBACCO LIMITED, and
ROTHMANS, BENSON & HEDGES INC.**
Defendants

Court File No: 97-CT-017773

Ontario
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Milton

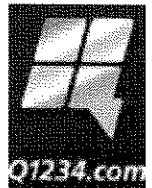
**STATEMENT OF DEFENCE OF THE DEFENDANT
IMPERIAL TOBACCO CANADA LIMITED**

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IMPERIAL TOBACCO CANADA



Attention News Editors/Health Reporters:

Imperial Tobacco Canada - Light and Mild Descriptors - Anti-Tobacco Lobby Disregards Facts

OTTAWA, June 16 /CNW Telbec/ -Imperial Tobacco Canada today stated it was perplexed at the latest allegations put forward by the anti-tobacco lobby during a press conference held this morning in Ottawa.

The anti-tobacco lobby is playing a dangerous game by alleging a consumer fraud when Health Canada's own scientists have expressed scepticism about removing "light" and "mild" descriptors from cigarettes.

"The Canadian federal government encouraged Canadian tobacco manufacturers to develop, manufacture, sell and promote low-tar cigarettes in Canada," said Christina Donà, Imperial Tobacco Canada's Manager of Media Relations.

"The federal government, on its Web site, still tells Canadians that if they cannot quit smoking that switching to a lower tar cigarette may reduce the risk of lung cancer," she said. The Health Canada quote includes a footnote to a medical study, and specifically states:

"Although switching from nonfilter to filter or from high- to low-tar cigarettes may slightly reduce lung cancer risk, the greatest reduction of risk comes from quitting smoking."

"The best advice for people concerned with the health risks of smoking is to quit", added Ms. Donà.

This quote can be found in the "Diseases and Conditions" section about cancer, specifically "Lung Cancer in Canada" (June 1998), or:

http://www.hc-sc.gc.ca/pphb-dgspsp/publicat/updates/lung-98_e.html

"Continuing to perpetuate the myth of a 'consumer fraud' only ignores the historical Canadian reality, and the active role of the federal government in the development of these products," said Donald McCarty, Vice-President, Law, at Imperial Tobacco Canada.

"We consider that these allegations are unfounded and frivolous," said McCarty. Imperial Tobacco Canada pledged full co-operation with the Competition Bureau's investigation and expressed confidence in the outcome.

Imperial Tobacco Canada's position on descriptors is outlined in the company's "Light and Mild" brief to the federal government. It can be found on

the company's Web site at www.imperialtobaccocanada.com in the Newsroom section.

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For further information: Christina Donà, Manager, Media Relations, Imperial Tobacco Canada, Cell: (514) 704-8717; Yves-Thomas Dorval, Division Head, Public Affairs, Imperial Tobacco Canada, Tel: (514) 932-6161, ext. 2113

IMPERIAL TOBACCO CANADA a 25 communiqués dans cette base de données.

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Attention News Editors:

Imperial Tobacco Canada announces major restructuring

GUELPH, ON, June 18 /CNW Telbec/ - Imperial Tobacco Canada today is announcing a major corporate restructuring affecting every facet of its business. When these changes have been fully implemented, the Guelph facility will be responsible for all of Imperial Tobacco Canada's tailor-made cigarette production.

This restructuring will allow the company to maintain its leadership position in the tobacco industry despite the reduction in sales, the steady declines in total industry volume, the resulting overall industry over-capacity, as well as significant price competition.

The principal changes at Imperial Tobacco Canada, which will occur largely by the end of 2003, are as follows:

- closure of its Montreal production plant;
- transfer of its tailor-made cigarette production from the Montreal plant to the Guelph plant;
- transfer of its tube production from the Montreal plant to the Guelph plant;
- transfer of its stick (insta-kit) production from the Montreal plant to the Guelph plant;

- closure of its threshing operations which are part of the Aylmer, Ontario plant;
- phase-out of its reconstituted tobacco facility at the Aylmer, Ontario plant;
- transfer of its leaf export business and domestic leaf purchasing at tobacco auctions to a third party; and
- restructuring of its Montreal head office, which will be completed by the end of 2004.

Unfortunately, as a result, almost 840 employees will be directly affected including some 430 unionized regular employees, 240 seasonal employees and 170 non-unionized employees. There will be no job cuts at the Guelph plant. The company is confident that it will be able to accommodate those Montreal plant unionized employees who wish to take a job at the Guelph plant.

Imperial Tobacco Canada will continue to maintain a strong business presence in both Ontario and Quebec. Its manufacturing operations will be focused on its Guelph and Aylmer facilities. The head office and research and development functions will remain in Montreal. This restructuring does not impact regional sales offices and regional sales representatives.

The company has a proven track record as a dedicated employer and will provide all directly affected employees with fair and generous separation conditions.

Imperial Tobacco Canada made these decisions after substantial analysis of its business processes and market realities. This corporate restructuring will result in special charges to second quarter earnings totaling approximately \$190 million after tax, including charges relating to non-cash write-offs of plant and equipment.

The company believes that this corporate restructuring is essential to enhance its competitiveness and capabilities to maintain its leadership position in the industry, and to face the current reality and future challenges of the industry.

Imperial Tobacco Canada was founded in Montreal in 1912. In 2002, the company employed an average of 2,080 people including regular, temporary and seasonal employees, and had a 61.6% share of the domestic cigarette market. Established in 1959, the Guelph facility is currently responsible for the

production of all high-volume premium tailor-made cigarettes.

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Guelph Plant Facts
 107 Woodlawn Road West, Guelph, ON

Employees	

Staff (current)	45
Plant union employees	404 (B.C.T.G.M., Local 323T)
Office union employees	22 (B.C.T.G.M., Local 338T)
Powerhouse union	1

Total	472

Production

Production modules on floor	17 High-speed Passims
Weekly production - 2002	335 million cigarettes
Annual production - 2002	15.9 billion cigarettes
Truckloads shipped per week	35 on average
Total number of brands produced	24 in 245 different packings
Annual tobacco usage	\$107 million
Annual wrapping material	\$60 million

Property and Building

Property Size	44 acres
Building Size	6.4 acres (538,000 sq.ft under roof)
Pool Size	300,000 gals, fire control/ decoration
Utilities	\$2.4 million
Taxes	\$0.7 million

History

Foundation

October 1959

Specialization

Major brands, high volume production

Modernization phases

- 1981 - five-year investment plan
- Expand the manufacturing capacity
- Increase the square footage of the manufacturing and storage space
- Purchase new high-speed making, packing and wrapping modules

- 1996-2000 - modernization of machinery
- 17 new high-speed machines

>>

Imperial Tobacco Canada spokespersons will be available all day for one-on-one interviews with journalists. For those media wishing to schedule a meeting please call (514) 932-6161 ext. 2113.

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For further information: Christina Donà, Manager, Media Relations, Imperial Tobacco Canada (Head Office), (514) 932-6161, ext. 2113; Beth Brombal, Coordinator, Community Relations, Imperial Tobacco Canada (Guelph), (519) 824-4000, ext. 286

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Last Updated: January 21, 2003

Unfortunately, as a result, almost 840 employees will be directly affected including some 430 unionized regular employees, 240 seasonal employees and 170 non-unionized employees. This will eliminate about 580 positions in the Montreal area, and approximately 260 positions at its Aylmer, Ontario facilities.

Imperial Tobacco Canada will continue to maintain a strong business presence in both Quebec and Ontario. Its manufacturing operations will be focused on its Guelph and Aylmer facilities. The head office and research and development functions will remain in Montreal. This restructuring does not impact regional sales offices or regional sales representatives.

The company has a proven track record as a dedicated employer and will provide all directly affected employees with fair and generous separation conditions. For unionized employees, the discussions about impacts and separation conditions will begin as soon as possible with union representatives. It should also be noted that the company is confident that it will be able to accommodate those Montreal plant unionized employees who wish to take a job at the Guelph plant.

Imperial Tobacco Canada made these decisions after substantial analysis of its business processes and market realities. This corporate restructuring will result in special charges to second quarter earnings totaling approximately \$190 million after tax, including charges relating to non-cash write-offs of plant and equipment.

The company believes that this corporate restructuring is essential to enhance its competitiveness and capabilities to maintain its leadership position in the industry, and to face the current reality and future challenges of the industry.

Imperial Tobacco Canada was founded in Montreal in 1912. In 2002, the company employed an average of 2,080 people including regular, temporary and seasonal employees, and had a 61.6% share of the domestic cigarette market.

KEY BACKGROUND INFORMATION

Imperial Tobacco Canada has a proven track record as a dedicated employer and will provide all directly affected employees (about 840) with fair and generous separation conditions. For unionized employees, the discussions about

impacts and separation conditions will begin as soon as possible with union representatives. It should also be noted that the company is confident that it will be able to accommodate those Montreal plant unionized employees who wish to take a job at the Guelph plant.

Imperial Tobacco Canada made this restructuring decision after substantial analysis of its business processes and market realities. It believes that this corporate restructuring is essential to enhance its competitiveness and capabilities to face the current reality and future challenges of the industry. This restructuring will allow the company to maintain its leadership position in the tobacco industry despite the reduction in sales, the steady declines in total industry volume and the resulting overall industry over-capacity, as well as significant price competition.

A few figures:

Total Industry Volume Decline from 2000 to 2003 on a 12-months rolling basis to March 31 = 16%

Total ITCAN Volume Decline from 2000 to 2003 on a 12 months rolling basis to March 31 = 23%

In 1997, the Guelph facility was producing more than all of Imperial's current requirements for 2003. In Aylmer, Ontario, there has been a (67%) decline in volumes since 1997. That year, the Aylmer threshing plant processed 100 million pounds of leaf. At that time it was operating below its capabilities, as the Aylmer plant is capable of processing more than 100 million pounds. In 2003, that volume will have declined to only 33 million pounds of leaf being processed.

In 1997, the total Ontario crop was 155 million pounds. That year, Imperial Tobacco Canada bought 100 million pounds of tobacco for both domestic and leaf export purposes. In 2003, Imperial Tobacco Canada is purchasing only 38 million pounds, 26 million for domestic purposes and up to 12 million for leaf export.

The export of leaf tobacco has never been part of the core business of Imperial Tobacco Canada. In recent years we have had to make significant write-offs in our export leaf because we have purchased the leaf at a significantly higher price than we were able to sell on the international market. There are

currently other companies successfully operating leaf export businesses.

This restructuring is a clear indication that things will change within the tobacco industry at every level and no stakeholder can ignore or avoid the realities of the marketplace. The organizations that will succeed in the future are the ones that will have a clear vision of effectively and efficiently meeting the demands of adult consumers as well as being able to make the necessary decisions even if they are tough decisions.

June 18, 2003

IMPERIAL TOBACCO CANADA ANNOUNCES MAJOR RESTRUCTURING

Corporate Statement

"Imperial Tobacco Canada today is announcing a corporate reorganization affecting virtually every facet of its business. The restructuring will allow the company to maintain its leadership of the Canadian tobacco industry despite the reduction in sales, the steady declines in total industry volume and the resulting overall industry over-capacity, as well as significant price competition.

The changes are as follows:

- Restructuring of the head office,
- Closure of the Montreal plant,
- Closure of the Aylmer threshing plant,
- Transfer of its leaf export business and domestic leaf purchasing at tobacco auctions to a third party,
- Phase out of the reconstituted tobacco operations.

This restructuring, which should largely be completed by the end of 2003, will have a major impact on our overall workforce as approximately 840 employees will be directly affected. This includes some 430 full-time unionized employees, 240 seasonal employees, 85 head office employees and 85 non-unionized plant employees. Our regional sales organization is unaffected.

Imperial Tobacco Canada has always treated its employees well. As a dedicated employer, fair and generous separation conditions, including career

transition support, will be provided to all directly affected employees. It should also be noted that the company is confident that it will be able to accommodate those Montreal plant unionized employees who wish to take a job at the Guelph plant.

Imperial Tobacco Canada will continue to maintain a strong presence in both Quebec and Ontario. The head office and research and development functions will still be run from our St-Henri, Quebec, location and manufacturing will be concentrated in Ontario.

This corporate reorganization will position us for continued leadership of the Canadian tobacco industry for many years to come."

(Signature)

Bob Bexon

President and CEO

Imperial Tobacco Canada

Imperial Tobacco Canada Facts

Corporate Overview

Imperial Tobacco Canada is the largest manufacturer of tobacco products in Canada and is the leader in industry shipments, with du MAURIER and Player's the number one and two cigarette brand families in the country. In 2002, Imperial employed an average of 2,080 people including regular, temporary and seasonal employees.

Mission

To compete successfully for market share in Canada by satisfying adult smokers' preferences better than the competition. This will be done in a manner that is profitable, sustainable and increases the value of the Corporation.

Performance Overview

On a 12-month rolling basis to March 31, 2003, Imperial Tobacco Canada's shipments of cigarettes(*) decreased by 15% to 26.1 billion cigarettes and approximate equivalents.

Domestic Shipments (billion cigarettes)	March 31, 2003 (12 month rolling)	March 31, 2002 (12 month rolling)	Dec. 31, 2002 (year end)
Cigarettes	24.2	28.6	25.9
Roll-your-own	1.2	1.4	1.2
Tobacco sticks	0.3	0.4	0.3
Total Market Share (%)	59.9	63.2	61.6

Tax Revenue on the sale of Imperial Tobacco products

Federal	\$2,432.9M
Provincial	\$2,587.3M
Income Taxes, Surtax, Capital Taxes and Others	\$410.0M
Total Tax Revenue Generated	\$5,430.2M

Industry Overview

On a 12-month rolling basis to March 31, 2003, the Canadian industry's total shipments of cigarettes(*) are estimated to have decreased by 10,2% to 43.7 billion cigarettes and approximate equivalents.

Contributing to this decline are historical industry trends, such as an aging population, consumer health concerns and the diminishing social acceptance of smoking, as well as the resurgence of illicit trade.

2002 Donations

Distribution of donations

Human Services	\$2,775,755
Arts and Culture	\$2,487,250
Post-Secondary Education	\$1,313,196
Employee Matching	\$131,245
Other	\$160,300
Prior Commitments Honoured(xx)	\$1,613,500
Total Contributions	<u>\$8,481,246</u>

(*) shipment of cigarettes includes : cigarettes, roll-your-own products and tobacco sticks

(xx) inherited its former parent company's, Imasco Limited

Head office Facts

3711, St-Antoine Street, Montreal, Qc

Employees

Regular employees (current)	422
Temporary employees	74
Total	<u>496</u>

Divisions

- Marketing
- Operation
- Finance
- Corporate Affairs

Corporate Strategy Planning
 Human Resources
 Law

Property and Building

Property Size 289,000 sq. ft
 Building Size 175,000 sq. ft
 Utilities \$425,000
 Taxes \$1.1 million

History

Foundation

1912

Specialization

Marketing of ITCAN's trademarks

Milestones

1912 - Construction of the first head office
 1970 - Imasco is formed as a holding company and Imperial becomes an operating division of Imasco.
 2000 - Majority shareholder, BAT, buys all outstanding shares of Imasco and sells off non-core assets. Imperial Tobacco Canada Ltd., is named successor to Imasco.
 May 2002 - Inauguration of new 33-million dollar head office

Montreal Plant Facts

750, Bourget Street, Montreal, QC

Employees

Staff (current) 60
 Plant unionized employees 422 (B.C.T.G.M.)
 Total 482

Production

Production modules on floor 7 High-speed Passims
 Weekly production - 2003 145 million cigarettes
 Annual production - 2002 7.763 billion cigarettes
 Truckloads shipped per week 33 on average
 Annual tobacco usage \$60 million
 Annual wrapping material \$44.3 million

Property and Buildings

Buildings size 5 buildings
 25 floors
 300,000 sq. ft
 Utilities \$2.3 million
 Taxes \$861,000

History

Foundation 1912
 Specialization - Low and medium cigarette volume

- 10 formats on 10 (cigarettes)
 - Launch of new products
 - Other tobacco products (fine cut, tubes, sticks, kits)
- 1999-2001 - \$54 million investment plan
- high speed cigarettes modules
 - automatic tobacco receiving, case filing
 - Computer-assisted inventory management systems

NOTICE: All fact sheet figures, unless otherwise indicated, are based on December 31, 2002 figures.

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For further information: Imperial Tobacco Canada spokespersons will be available all day for one-on-one interviews with journalists. For those media wishing to schedule a meeting please call (514) 932-6161 ext. 2113; Christina Donà, Manager, Media Relations, Imperial Tobacco Canada, (514) 932-6161, ext. 2113 or Yves-Thomas Dorval, Division Head, Public Affairs, Imperial Tobacco Canada, (514) 932-6161, ext. 2113

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[Consult archives 2000](#)

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- tobacco auctions to a third party;
- phase-in to a two-shift operation working at the Primary and Dried-Iced Expanded Tobacco (DIET) facilities at the Aylmer, Ontario plant; and
- restructuring of its Montreal head office, which will be completed by the end of 2004.

Unfortunately, as a result, almost 840 employees will be directly affected including some 430 unionized regular employees, 240 seasonal employees and 170 non-unionized employees.

The portion of this restructuring that affects Aylmer will be on all positions in the seasonal threshing operations, which will be eliminated. As well, all positions related to the leaf export and domestic leaf purchases, and additional non-unionized positions will be eliminated, for a total of about 260 employees directly affected at the Aylmer facility. The portion of this restructuring that affects the Montreal area will have an impact on about 580 employees, both unionized and non-unionized.

Imperial Tobacco Canada will continue to maintain a strong business presence in both Quebec and Ontario. Its manufacturing operations will be focused on its Guelph and Aylmer facilities. The head office and research and development functions will remain in Montreal. This restructuring does not impact regional sales offices and regional sales representatives.

The company has a proven track record as a dedicated employer and will provide all directly affected employees with fair and generous separation conditions. For unionized employees, the discussions about impacts and separation conditions will begin as soon as possible with union representatives.

Imperial Tobacco Canada made these decisions after substantial analysis of its business processes and market realities. This corporate restructuring will result in special charges to second quarter earnings totaling approximately \$190 million after tax, including charges relating to non-cash write-offs of plant and equipment.

The company believes that this corporate restructuring is essential to enhance its competitiveness and capabilities to maintain its leadership position in the industry, and to face the current reality and future challenges of the industry.

Imperial Tobacco Canada was founded in Montreal in 1912. In 2002, the company employed an average of 2,080 people including regular, temporary and seasonal employees, and had a 61.6% share of the domestic cigarette market. Imperial Tobacco Canada's Aylmer, Ontario facility was founded in 1945. Currently, the facility houses all the buying, threshing, cutting, blending and storage.

Imperial Tobacco Canada spokespersons will be available all day for one-on-one interviews with journalists. For those media wishing to schedule a meeting please call (514) 932-6161 ext. 2113.

Aylmer Plant Facts
516 John Street North, Aylmer, ON

Employees	

Year-round staff (current)	35
Plant union employees	68 (Year Round Union : B.C.T.G.M)
Seasonal employees	240 (unionized and non-unionized)

Total	343

Production	

Green Leaf Threshing - GLT	First phase of tobacco processing after purchase: removal of any sand, separation of leaf lamina from the stem and reduction of the moisture content in preparation for storage
Primary	Tobacco conditioning, cutting and blending

Comet - Reconstituted tobacco Small particles of tobacco processed into a useable tobacco product called PCLX

Dry Ice Expansion Tobacco- DIET Increase of tobacco cell size for greater filling power

8 Warehouses Storage capacity of 140 million pounds of tobacco.

Labour/Material supplied locally \$1.67 million

Tobacco purchases (2002 crop) \$128.7 million

Property and Building

Property size 69 acres of land

Building size 32 acres under roof

Utilities \$2.8 million

Taxes (Township of Malahide/Town of Aylmer) \$1.0 million

Annual figure for salaries/wages/benefits \$21.3 million

History

Foundation Specialization 1945

Modernization phase

- Tobacco buying, threshing, cutting, blending and storage
- Preparation of tobacco blends for Guelph and Montreal

1990s - Investment of over \$110 million in facilities and technology

NOTICE: All fact sheet figures, unless otherwise indicated, are based on

December 31, 2002 figures.

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