

THE TAKEOVER PANEL

Rothmans International Limited

The attached announcement has been released today by Rembrandt Group Limited ("Rembrandt") and Philip Morris Inc. ("PM") giving further details of a transaction announced on 22nd April, 1981.

After much discussion with all the parties concerned the Panel has decided that the implementation of that transaction would not give rise to any obligation to make an offer to the shareholders of Rothmans International Limited ("Rothmans") under Rule 34. The circumstances of this case are unique in the Panel's experience. Control of Rothmans is held by Rothmans Tobacco (Holdings) Limited ("RTH"). Control of RTH would vest in neither Rembrandt nor PM. It will be a deadlock situation and the Panel has been assured that there is no provision to break that deadlock. Therefore the Panel considers that no person will have acquired control of RTH and it follows from this that control of Rothmans will not have altered in such a way as to give rise to any bid obligation by the parties concerned. It may be that at some future date the deadlock is broken in a way that passes control of Rothmans to one of the parties to the present agreement which will then, in the absence of exceptional circumstances, have an obligation under Rule 34 to make an offer to all shareholders.

In the unique circumstances of this case, which are not specifically covered by the Rules, the Panel, taking into account the General Principles of the Code, wishes to place on record the following.

Rembrandt and PM have undertaken to the Panel that, without prior discussion with the Panel, and giving the Panel the opportunity of determining the responsibilities of the parties under the Code, neither they nor RTH nor any person acting in concert with any of them will acquire or offer to acquire any further shares of Rothmans (other than as a result of offers or issues of new Rothmans' shares to all shareholders generally), nor will they convert into shares any convertible bonds. In making its determination at that time the Panel would have in mind the provisions of General Principle 8 that all shareholders should be treated similarly and would take into account all factors then relevant, including the circumstances of and the price paid in the present transaction.

19th May 1981.

DATED: 19th May, 1981.

PRESS ANNOUNCEMENT BY REMBRANDT GROUP LIMITED
& PHILIP MORRIS INC.

On 22nd April it was announced that Philip Morris Inc. ("PM") and Rembrandt Group Limited ("Rembrandt") had entered into an agreement whereby PM would acquire the exclusive rights to certain of Rembrandt's international trade marks and would acquire a direct and indirect interest in the capital of Rothmans International Limited ("RI"). PM and Rembrandt now announce further details of this transaction, in so far as it relates to RI.

Rembrandt, through a wholly-owned subsidiary, Rothmans Tobacco (Holdings) Limited ("RTH"), at present holds Ordinary shares and 'B' Ordinary shares in RI representing approximately 44 per cent of its equity capital; the full voting rights attributable to these shares represent approximately 58 per cent of the total, although by virtue of the Articles of Association of RI, RTH's votes are restricted to 1 share less than 50 per cent. In addition, through other affiliates, Rembrandt holds £67.31 million nominal of the 6.95 per cent Convertible Junior Subordinated Bonds due 2012 of RI (the entire issue) and £14.72 million nominal of 6.25 per cent Convertible Senior Subordinated Bonds due 1992 of RI (37 per cent of the issue).

Following full implementation of the agreement, PM will have acquired the following interests, namely:

50 per cent of the voting rights and equity capital of RTH (the remaining 50 per cent of the voting rights and equity capital of RTH being retained by Rembrandt)

£33.65 million nominal of Convertible Junior Subordinated Bonds due 2012 £7.36 million nominal of the Convertible Senior Subordinated Bonds due 1992.

PM will have the right to appoint up to half the members of the Board of RTH. The Chairman of the Board of RTH will not have a casting vote and no other arrangements exist in relation to the exercise of votes.

Under the agreement each party will have the right of first refusal in the event that the other wishes to sell any of its interests in RTH or RI; conversely, should either party acquire additional securities in RI, then the other would be given the opportunity to make an equalising acquisition. There are no other arrangements between PM and Rembrandt relating to future acquisitions or disposals of securities in RI or RTH.

PM and Rembrandt have given certain undertakings to the Panel on Takeovers and Mergers which are set out in the attached statement.

The Board of RI has been assured that the operations and management of the RI companies will continue as before with PM participating as an investor.