

Source: Imperial Tobacco Limited

Contact: Michel Descôteaux
Imperial Tobacco Limited
(514) 932 6161, local 2361
home: (514) 595 5501

Montréal, September 1, 1994 - Imperial Tobacco Limited today issued the following statement on recent media reports on a study prepared by Montréal economist Jean-Pierre Vidal.

In June, UQAM accounting professor, Léo-Paul Lauzon, issued a report on the Canadian tobacco industry, 1987-1993. It took the form of a socio-economic analysis and concluded that the overall impact of the tobacco industry was negative. In July, Mr. Purdy Crawford, chairman and chief executive officer of Imperial Tobacco's parent company, Imasco Limited, wrote a letter to Professor Lauzon taking issue with his study. Included with the letter was an independent evaluation of Professor Lauzon's methodology prepared by Montréal economist Jean-Pierre Vidal (copy attached).

The Crawford letter

Mr. Crawford's letter also pointed out a number of factual errors and omissions in Professor Lauzon's report that related to the tobacco industry and the financial reporting of Imasco and Imperial (a copy of the full text of the letter is attached to this statement). Mr. Crawford's letter concluded as follows: "In summary, and after scratching the surface only lightly, it becomes apparent that significant parts of your study and several, if not all, of its conclusions cannot be supported. In the circumstances, it is lamentable that the report has been made public and received media attention. More lamentable still is that the reputations of Imperial Tobacco and Imasco have been unjustly tarnished in the process."

The Vidal paper

Mr. Vidal's paper concluded that Professor Lauzon had not used the technical methodology which should be used in studies of this nature, and that there were many weaknesses and outright errors in Professor Lauzon's study. Concluded Vidal: "Lauzon's main conclusion, i.e. that tobacco production has a largely negative impact on society, is in no way proved by his analysis. In general, he disregards the appropriate methodology. The figures added up as social benefits are not always benefits, and the most significant benefits are not included. In addition, there is no explanation why the tax figures are underestimated by half. Lastly, health costs are estimated at \$9.7 billion, whereas Health and Welfare Canada provides a

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figure of \$2.9 billion, and the only reference offered for the \$9.7 billion figure is a telephone conversation."

Mr. Vidal's has given rise to the wildest interpretations in some media, probably because of the highly technical nature of the debate. In fact, Mr. Vidal, an expert economist, reviewed the approach taken by Professor Lauzon, and found it wanting in several material respects. Mr. Vidal's conclusions were then passed on privately to Professor Lauzon.

The company did not intend to make the correspondence public and stir up a controversy but when Professor Lauzon sent a copy of it to Le Soleil, it was decided to make it available to the media at large so as to set the record straight.

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