



**IMPORTANT INFORMATION FOR STOCKHOLDERS OF FORTUNE BRANDS
FILING U.S. FEDERAL INCOME TAX RETURNS**

RETAIN FOR YOUR RECORDS

June 2, 1997

On May 30, 1997, American Brands, Inc. ("American Brands") distributed all of the outstanding ordinary shares of Gallaher Group Plc ("Gallaher") to holders of American Brands common stock. American Brands also changed its name to Fortune Brands, Inc. ("Fortune Brands"). In the distribution, each U.S. and Canadian holder of American Brands common stock on May 30, 1997 received one American Depositary Share ("ADS"), with each ADS representing four Gallaher ordinary shares (evidenced by American Depositary Receipts), for every one share of American Brands common stock held. All other holders of American Brands common stock on May 30, 1997 received four Gallaher ordinary shares for every one share of American Brands common stock held. Your American Brands stock certificate automatically represents Fortune Brands common stock. **Shareholders do not need to turn in their American Brands stock certificates and will not be receiving new Fortune Brands stock certificates.**

No fractional Gallaher ADSs or Gallaher ordinary shares are being issued. Stockholders who hold fractional shares of the Company common stock who are otherwise entitled to receive fractional Gallaher ADSs or Gallaher ordinary shares will be paid cash in lieu of such fractional shares.

American Brands has received a ruling from the Internal Revenue Service (the "IRS") to the effect that, among other things, the distribution of Gallaher ADSs and Gallaher ordinary shares qualifies as a tax-free distribution to holders of American Brands common stock for U.S. federal income tax purposes. This ruling, while generally binding upon the IRS, is subject to certain factual representations and assumptions which, if incorrect in any material respect, would cause such ruling to become invalid. American Brands is not aware of any facts or circumstances which would cause such representations and assumptions to be untrue.

Tax Basis Allocation and Holding Period

To determine your U.S. federal income tax basis in your Fortune Brands common shares and your newly-received Gallaher ADSs or Gallaher ordinary shares, you must allocate the tax basis in your American Brands common shares immediately before the distribution. The tax basis in your American Brands common shares before the distribution generally is equal to the cost of such shares, including commissions. If you acquired those shares at different times and at different costs, you will need to make separate basis calculations for each group of shares. **Please consult your tax advisor to determine the tax basis in American Brands common shares to be allocated.**

Based upon the average (\$49.0625) of the high trading price (\$49.375) and low trading price (\$48.75) for American Brands common shares and the average (\$18.0625) of the high trading price (\$18.50) and low trading price (\$17.625) for Gallaher ADSs on May 30, 1997, as reported on the New York Stock Exchange Composite Tape, (1) **36.82%** ($\$18.0625/\49.0625) of your tax basis should be allocated to your newly-received **Gallaher ADSs** or your newly-received **Gallaher ordinary shares** and (2) the balance, **63.18%**, should be allocated to your **Fortune Brands common shares**.

Your holding period for U.S. federal income tax purposes for the newly-received Gallaher ADSs or Gallaher ordinary shares is the same as your holding period for your American Brands common shares with respect to which the Gallaher ADSs or Gallaher ordinary shares were received, unless you fall within a special category of holder such as a dealer or trader who did not hold the American Brands common shares as capital assets on May 30, 1997.

EXAMPLE

Assume that on May 30, 1997 you owned 100 shares of American Brands common stock with a tax basis of \$40 for each share, for a total tax basis of \$4,000. You would have received one hundred Gallaher ADSs in connection with the distribution.

Calculation of New Tax Basis

	<u>% of Basis Allocable</u>	<u>Original Cost Basis in American Brands Common Stock</u>	<u>Total Allocated Basis</u>	<u>Number of ADSs</u>	<u>New Tax Basis Per share/ ADS</u>
Fortune Brands Common Stock	63.18% X	\$4,000	= \$2,527.20	÷ 100	= \$25.2720
Gallaher ADSs	36.82% X	\$4,000	= \$1,472.80	÷ 100	= \$14.7280

Your new tax basis in your 100 shares of Fortune Brands common stock would be \$2,527.20. Your tax basis in the 100 Gallaher ADSs received would be \$1,472.80. (If you received 400 Gallaher ordinary shares instead of the ADSs, your basis in those shares would also amount to \$1,472.80).

Statements in U.S. Federal Income Tax Return

U.S. Treasury regulations require each stockholder to attach to his or her 1997 U.S. federal income tax return a signed statement setting forth certain prescribed information about the Gallaher distribution. For this purpose, we are enclosing sample statements which you may use when filing your 1997 tax return. Be sure to use the sample statement which applies to you.

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The information in this letter represents our understanding of existing U.S. federal income tax law and regulations and does not constitute tax advice. It does not purport to be complete or to describe tax consequences that may apply to particular categories of stockholders. Each holder of American Brands common stock should consult a tax advisor as to the particular consequences of the distribution under U.S. federal, state and local tax laws and foreign tax laws, including, in particular, tax basis allocation rules and the effect of possible changes in tax laws that may affect the description set forth above.

Questions about investments in Fortune Brands and Gallaher should be directed as follows:

Security

Contact

Fortune Brands, Inc.
common stock

Fortune Brands, Inc.
Shareholder Services Department
1700 East Putnam Avenue
P.O. Box 815
Old Greenwich, CT 06870-0815
(800) 225-2719
(203) 698-0682 (Fax)

Gallaher Group Plc
American Depositary
Shares

The Bank of New York
Shareholder Relations Department
P.O. Box 11258
New York, NY 10286-1258
(888) 269-2377

Gallaher Group Plc
ordinary shares

Gallaher Group Plc
Public Affairs Department
Members Hill
Brooklands Road
Weybridge
Surrey, KT13 0QU
England
011 44 1932 832637

[FORM OF STATEMENT FOR USE BY RECIPIENTS OF
GALLAHER ADS
FILING U.S. FEDERAL INCOME TAX RETURNS]

STATEMENT OF COMMON STOCKOWNER OF AMERICAN BRANDS, INC.,
A DELAWARE CORPORATION (NOW KNOWN AS FORTUNE BRANDS, INC.), FILED
PURSUANT TO TREASURY
REGULATION SECTION 1.355-5(b), WITH RESPECT TO THE
DISTRIBUTION OF AMERICAN DEPOSITARY SHARES OF
GALLAHER GROUP PLC, AN ENGLISH PUBLIC LIMITED COMPANY

1. The undersigned, a stockholder owning common shares of American Brands, Inc. (now known as Fortune Brands, Inc.), received a distribution on May 30, 1997, of American Depositary Shares of Gallaher Group Plc, an English public limited company, in a distribution which is subject to Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").
2. The names and addresses of the corporations involved were:
 - (a) American Brands, Inc.
1700 East Putnam Avenue
Old Greenwich, Connecticut 06870
 - (b) Gallaher Group Plc
Members Hill
Brooklands Road
Weybridge
Surrey, KT13 0QU
3. The undersigned surrendered no stock or securities of American Brands, Inc., a Delaware corporation, in connection with the distribution.
4. The undersigned received [____] American Depositary Shares of Gallaher Group Plc, an English public limited company, in the distribution.
5. American Brands, Inc. received a ruling from the Internal Revenue Service to the effect that the distribution qualifies as a tax-free distribution under Section 355 of the Code.

Stockholder Signature

Stockholder Signature

[FORM OF STATEMENT FOR USE BY RECIPIENTS OF
GALLAHER ORDINARY SHARES
FILING U.S. FEDERAL INCOME TAX RETURNS]

STATEMENT OF COMMON STOCKOWNER OF AMERICAN BRANDS, INC.,
A DELAWARE CORPORATION (NOW KNOWN AS FORTUNE BRANDS, INC.), FILED
PURSUANT TO TREASURY
REGULATION SECTION 1.355-5(b), WITH RESPECT TO THE
DISTRIBUTION OF ORDINARY SHARES OF GALLAHER GROUP PLC,
AN ENGLISH PUBLIC LIMITED COMPANY

1. The undersigned, a stockholder owning common shares of American Brands, Inc. (now known as Fortune Brands, Inc.), received a distribution on May 30, 1997, of ordinary shares of Gallaher Group Plc, an English public limited company, in a distribution which is subject to Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").
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 - (a) American Brands, Inc.
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