



“Welcome to our 2018 Annual Report and Accounts. This was an important year in which we delivered pleasing results in tobacco and significantly enhanced our position in Next Generation Products.”

MARK WILLIAMSON

Chairman

Our purpose is to create something better for the world's smokers and I am delighted with how this is being brought to life in Imperial. There is a tangible sense of excitement about how our Next Generation Products (NGP) operations are developing and the contribution our products are making to the global harm reduction agenda.

Many smokers currently continue to choose to enjoy tobacco and we will keep providing them with the high quality products they expect. But our aim is to increasingly transition smokers to our NGP portfolio, which consists of products that are significantly less harmful than cigarettes.

Vapour is by far the largest and most developed NGP category and we have made excellent progress in expanding our presence with our blu brand during the year. I was also pleased to see us achieve further share gains in priority tobacco markets with our Growth Brands, which together with our Specialist Brands, now account for 67 per cent of the Group's tobacco net revenue.

GROWING RETURNS FOR SHAREHOLDERS

These good brand and market performances are reflected in our financial results. On a constant currency basis we grew tobacco and NGP net revenue by two per cent and adjusted operating profit by three per cent. In addition, reported operating profit increased by six per cent at actual rates. Cash conversion was strong at 97 per cent and we increased the dividend by 10 per cent for the tenth consecutive year.

The Board recognises how important the dividend is to many shareholders and regularly reviews the dividend policy to ensure it is aligned to performance, the balance sheet and the investment needs of the business. Our strong cash flows underpin our dividend pay-out and investment needs, and our dividend policy is to deliver annual 10 per cent growth over the medium term.

CREATING ADDITIONAL VALUE

We have developed a greater focus on the products, brands and markets that are essential for delivering long-term sustainable growth.

We have also identified assets that are less central to our strategic agenda, which we can exit or divest on behalf of our stakeholders to simplify the business, enhance our focus and allocate capital effectively.

As part of this process, we realised £281 million from the sale of a portfolio of other tobacco products in the USA and a further 9.99 per cent of our European distribution business Logista, reducing our holding to 50.01 per cent of Logista's issued share capital. In total we expect divestments to generate proceeds of up to £2 billion within the next 12-18 months.

GOVERNANCE AND RESPONSIBILITY

Our Governance Report on pages 35-55 provides an overview of our governance framework and the work of the Board and its Committees.

High standards of governance are integral to our long-term sustainability and the Board remains focused on ensuring Imperial is governed and managed in an open and transparent manner.

The responsible way we run the business is also reflected in our Sustainability Review. During the year we refocused our sustainability strategy to more closely align it with the Group strategy and our expanding NGP operations.

An overview of the progress we are making against our sustainability priorities is set out on pages 30-34, with more detailed information available on our corporate website www.imperialbrandsplc.com

DELIVERING FUTURE GROWTH

The progress we made this year has put the Group in a strong position to deliver growing returns for shareholders and I would like to thank our employees around the world for all their hard work and support.

Our operating environment is changing and we are changing too, transforming into a leaner and more agile business that looks to the future with confidence.

Our global cigarette share is relatively small and we therefore see NGP as an additive financial opportunity for the Group. This is an exciting new chapter for Imperial and we look forward to delivering continued quality growth in the years ahead.

A handwritten signature in black ink, appearing to read 'M Williamson', written over a thin horizontal line.

MARK WILLIAMSON

Chairman