TRANSFORMING FOR SUCCESS

Dear Shareholders

The transformation of Imperial into a consumer-focused challenger business is now translating into a stronger and more consistent operational performance and enhanced shareholder returns. Despite a difficult macroeconomic and geopolitical environment, with inflationary headwinds, shifting consumer preferences and regulatory challenges, we continue to methodically deliver on our external commitments.

One of my highlights of the past year was attending our capital markets event in New York in June, where management showcased our new consumer capabilities in insights, innovation and marketing. What impressed me was both the best-in-class quality of the work by our new global centres of expertise and the deep collaboration with local markets. We are making progress in other transformation priorities: improvements in data, simplification of processes, and the development of a performance-based culture.

All of this enabled the business to deliver an improved performance in both combustible and next generation products (NGP) during the 2023 fiscal year. Furthermore, we are providing shareholders with consistent, growing returns through a progressive dividend policy and an ongoing share buyback programme.

I would like to thank the 25,000 people who work at Imperial, as well as our many valued business partners, for their individual contributions to our growing collective success.

CONSUMER INSIGHTS ARE DRIVING OUR TRANSFORMATION

Everything we do starts with consumers – and their diverse voices can be heard on pages 4-5 and throughout this report. Consumers tell us they value local brands with strong heritage and global brands with distinctive personalities – traditional areas of strength for Imperial, which we are now further developing. Many consumers also tell us they have yet to find a perfect potentially reduced-harm replacement for cigarettes. This means we are seeing a growing diversity of behaviour with consumers using different products for different moments in their day.

Therefore, we see a future for this industry where multiple nicotine categories and a diverse ecosystem of businesses will coexist and evolve. Innovation, and responsible competition and regulation, will be the motors which drive us to a healthier future. Thanks to our focused investments in transformation, Imperial is now well placed to make a positive contribution to this wider industry transition.

ADVOCATING FOR HARM REDUCTION

Public health bodies agree it is the smoke created by the burning of tobacco leaf which contains most of the harmful chemicals responsible for smoking-related disease. Yet, many consumers, policymakers and medical professionals continue to believe that nicotine is the principal cause of ill-health. We will continue to campaign to build a greater understanding of the positive role that potentially less harmful products can play in helping adult smokers.

All of Imperial's products are designed for and marketed to adult smokers and existing nicotine consumers. We are actively engaging to support the development of stronger, more enforceable regulation which balances the need to make an attractive range of NGP available to adult smokers while driving out irresponsible products and preventing youth access.

However, we are concerned with new policy proposals in some markets, which see prohibition as the solution. Outlawing legal products can inevitably lead to unintended consequences, in particular, the proliferation of illicit trade and the growth of black-market products outside the regulated framework.

While engaging to create regulatory environments that enable successful tobacco harm reduction, we will also support the freedoms of our legal adult consumers who choose to continue to smoke.

DELIVERING ON OUR PRIORITIES FOR PEOPLE AND PLANET

Alongside our progress on harm reduction, we are delivering on our other key environmental, social and governance priorities (ESG). In 2022 we refreshed our approach to ESG, which internally we call "People and Planet", and over the past year we have continued to enhance our governance and disclosures, and work towards our key commitments. Among these is our goal to be a fully Net Zero company by 2040, and since our baseline year of 2017 we have reduced carbon emissions by 65% within the business. In November 2022, the Board approved a new diversity, equity and inclusion strategy, which defines our processes, practices and long-term measures for success. In particular, we now have a clear goal to increase the proportion of women in senior management to 35% by 2027.

For more on People and Planet see pages 38-69.

ENHANCING BOARD CAPABILITIES

In March, we welcomed Andrew Gilchrist as a Non-Executive Director and as a member of the Audit and People and Governance Committees. Andrew, who was Chief Financial Officer of Reynolds American Inc, brings to our Board two decades of operational and financial experience in the tobacco sector. At February's Annual General Meeting (AGM), we said farewell to Simon Langelier, who after serving nearly six years on the Board had decided to step down. I would like to thank Simon again for his significant contribution to the Board and we wish him well in his future endeavours.

We continue to hold valuable educational sessions to ensure that Board members are well able to provide appropriate challenge and support for management. Topics covered over the past year have included tax and excise, patents and intellectual property, and regulatory policy.

See the Governance section, starting on page 112, for more information.

BROADENING STAKEHOLDER ENGAGEMENT

Building on the programmes of previous years, the Board held meetings in Germany and Morocco, during which we had the opportunity to meet with employees and consumers. I continue to have regular interactions with our largest investors, and over the past year we consulted with them on our refreshed Remuneration Policy, which will be brought to the 2024 AGM for approval. Having carefully considered the existing approach and alternative remuneration structures, the Board concluded that the current structure, with a small number of refinements, remains appropriate for the Company at this time.

EFFECTIVELY ALLOCATING CAPITAL

The combination of our strong cash flows and relatively low capital intensity means we generate surplus capital. The Board believes the disciplined allocation of capital is a key value lever alongside the delivery of the Group's strategy. We have clearly defined our capital allocation priorities, which start with investment to support our strategic delivery. While the investment needs of the business are relatively modest, we approved a small acquisition to facilitate our launch of modern oral in the United States. We have also strengthened our balance sheet to reach our target leverage and underpin our commitment to investment grade status.

Our objective is to support the long-term sustainable cash flows of the business to enable us to maintain our progressive dividend policy and ongoing share buyback. The Board is recommending an annual dividend increase of 4.0%, to 146.82 pence per share. We have also committed to a £1.1 billion share buyback to be completed in FY24, an increase of 10% on FY23.

MOVING CLOSER TO A HEALTHIER FUTURE

Looking ahead, we expect the continuing benefits of our transformation to enable a further acceleration of our financial performance during the final two years of our five-year strategy. We look forward to building on our growing operational track record to deliver sustainable shareholder returns and play a positive, distinctive role in this industry's transition to a healthier future.

Thérèse Esperdy

Thérèse Esperdy
Chair

"The transformation of Imperial into a consumer-focused challenger business is now translating into enhanced shareholder returns."

PERFORMING WITH PURPOSE

Three years into our strategy, I am pleased with the consistent track record we are building and excited by the growing opportunities ahead. Our focus has been to develop Imperial into a strong, consumer-centric challenger business, capable of growth, year in and year out. Since the launch of our strategy in early 2021, we have been creating the team and the capabilities to enable the revival of our combustible business and the successful reboot of our next generation products (NGP).

This approach is leading to clear operational progress, despite a challenging macro-economic environment. In our five priority combustible markets, which account for around 70% of our operating profit, we have stabilised the share declines and exceeded our expectations with a 43 basis point growth in aggregate share since September 2020. Over the same period, NGP net revenue has grown by 41% at actual exchange rates, underpinned by market launches and new products in all three categories.

We have also delivered a material step-up in shareholder returns. During FY23 and FY24, through a combination of dividends and our ongoing share buyback programme, we expect to make cumulative capital returns of £4.7 billion. This is the equivalent of c.30% of Imperial's market value as at 30 September 2023.

Meanwhile, we are continuing to make focused investments in consumer capabilities, data, processes and systems, and our culture to ensure we can grasp future opportunities across all segments. While I am pleased with our progress so far, I believe that the full benefits of Imperial's transformation will continue to emerge in the next few years and beyond.

BUILDING OUR CHALLENGER CAPABILITIES

Imperial is the fourth largest – and smallest – of the global businesses in our sector. To outperform consistently, we need to do things differently to our larger rivals – to act as the industry's challenger. Being a challenger is about being close to the consumer, having robust data and processes to enable fast, well-informed decisions, and developing a performance-based culture. Taken together, these are the critical enablers for strategic success and the focus for our investments over the past three years.

In a sector where consumer behaviour is becoming increasingly diverse, strong insights, innovation capabilities and brand building are more and more crucial. In June, I joined our consumer team at a capital markets event in New York City. Their presentations included our new research in consumer demand spaces, our emerging partnership approach to innovation, and our activity to refresh both our international and local brands. Since then, we have continued to improve our ways of working to ensure that our centres of expertise work as effectively as possible with our teams in the markets.

For more on our investments in our consumer capabilities see pages 24-25.

Today's Imperial was assembled through a series of global acquisitions during the past quarter century. A clear demonstration of our transformation journey is how we are replacing more than 60 legacy systems with a single, unified platform. In parallel, we are also creating an end-to-end supply chain system – from leaf to store. These investments will make a significant contribution to future operational improvements, by giving our people more robust, actionable data, and automating low-value processes, freeing up time to focus on meeting consumer needs. While these programmes will each take several years to complete, pilot markets and factories are currently adopting the new systems and ways of working.

See pages 28-29 for more information.

We continue to build a distinctive, performance-based challenger culture, which internally we call "Connections". Having introduced our new behaviours in 2021, during 2022 all colleagues went through training to help them better understand how to deploy these behaviours in their everyday working lives. Over the past year, we moved to the next phase of this culture change journey by inviting 300 of our senior leaders to spend seven working days on a coaching programme to help them nurture high-performing teams (see pages 26-27). We also launched a new long-term diversity, equity and inclusion strategy designed to ensure that everyone in Imperial can feel that they belong (see pages 67-69).

Another important focus this year has been to support our colleagues in markets dealing with exceptional challenges. These include Laos and Morocco, which have been affected by natural disasters and, of course, in Ukraine.

Our 2023 employee experience survey was completed by 91% of eligible colleagues around the world, and we maintained our above-benchmark engagement score of 74%.

IMPROVED, MORE CONSISTENT PERFORMANCE

Our focused investments in the critical enablers of our strategy are driving improved business performance. In the period, excluding Russia we delivered growth in tobacco and NGP net revenue of 1.4% and in Group adjusted operating profit of 3.9%, at constant currency. Reported revenue was down 0.2% due to lower excise partially offset by higher Logista revenues. Operating profit grew 26.8% as charges relating to our exit from Russia were not repeated.

Once again, these achievements have been delivered against an inflationary backdrop which has squeezed consumer purchasing power. As anticipated, we delivered strong tobacco price mix for the year at 10.4% which more than offset volume declines.

During 2023, market share in our five priority markets increased by 10 basis points.

In our largest market, the United States, our challenger approach supported a share increase of 65 basis points for the year. Our flagship cigarette brands Winston and Kool were stable in their segments thanks to distinctive brand positioning and focused sales execution, and we continued to increase share in the deep discount segment. In mass market cigars we faced a decline in net revenue against a strong comparator period. As expected, this headwind, which we reported at the half year, has eased during the second half.

We continue to refine our approach in Germany with investment in building brand equity and in our sales force effectiveness.

In the UK and Spain our strategy has been focused on investment in local jewel brands, while in Australia our approach to revenue growth management underpinned our clear brand offerings at each of the key price points.

See pages 18-19 for more on our priority markets.

To improve focus on our medium-sized and smaller markets, we have created the new AAACE region which includes Africa, Asia, Australasia and Central & Eastern Europe. Strong tobacco pricing across the region offset volume declines, while Central & Eastern Europe benefited from NGP growth.

See pages 20-21 for more information.

In NGP, we now have credible consumer propositions across all categories – vape, heated tobacco and modern oral. During 2023 we accelerated the roll-out of new products in Europe, with the pod-based vape blu 2.0 now available in nine markets, the blu bar disposable in 11 markets, and Pulze 2.0, our heated tobacco device, in seven markets. We have also expanded the flavour range of Zone X pouches in Europe. In the Europe region, NGP net revenue grew by 40% year on year on a constant currency basis. We are pleased with the progress and feel that we now have a full product platform for the NGP category. We will continue to be disciplined and will now aim to consolidate momentum in our current markets. This means investing only in markets where NGP categories account for a material proportion of the overall nicotine market and where we have a strong route to market. In the US, we welcomed the unanimous federal court decision in August to vacate an earlier Marketing Denial Order issued by the Food and Drug Administration against our myblu pod-based vapour portfolio. In 2024, we will launch our new modern oral range under the brand "Zone". This follows the acquisition of a range of US pouches from TJP Labs in June.

For more on our approach to investment in next generation products, see pages 22-23.

PURPOSE, PEOPLE AND PLANET

A consumer-centric, challenger approach to NGP is how we will contribute to the broader industry-wide commitment to reduce harm. As the smallest of the international businesses, we know we cannot deliver a healthier future on our own. But, by getting close to our consumers, innovating fast and working with partners, we can drive responsible competition and help accelerate the transition to potentially reduced-harm products. This distinctive way of working is most clearly seen in our new Sense Hubs in Liverpool and Hamburg, which bring together consumers, our

OUR BEHAVIOURS

Start with the Consumer

Collaborate with Purpose

Take Accountability with Confidence

Be Authentic, Inclusive to all

Build our Future

For more information, see pages 26-27.

own product developers and third-party partners in a single collaborative space.

Consumer health is a key element of our broader environmental, social and governance (ESG) framework, which internally we refer to as our People and Planet agenda. We are making material progress in our other priority areas. We are committed to becoming a fully Net Zero carbon emission company by 2040 and, driven by an overall reduction in energy consumption, we have reduced our Scope 1 and Scope 2 market-based carbon emissions by 65% since our baseline year 2017. We are also on course to meet our commitment to eliminate landfill waste in our operations by 2025. For more information on People and Planet see pages 38-69.

ALLOCATING CAPITAL WITH DISCIPLINE

Capital allocation is a key value lever for the business. Focus and discipline are the key principles behind our four capital allocation priorities:

- Invest behind the strategy to deliver the growth initiatives.
- Deleverage to support a strong and efficient balance sheet with a target leverage towards the lower end of our adjusted net debt to EBITDA range of 2-2.5 times.
- A progressive dividend policy with dividend growing annually, taking into account underlying business performance.
- Return surplus capital to shareholders while maintaining our target leverage.

Having reached our target leverage, in October 2022 we began returning surplus capital to shareholders via a share buyback. We completed an initial buyback of £1 billion during FY23, and we have announced the next £1.1 billion tranche for FY24. As a result, we expect in total our returns to shareholders will exceed £2.4 billion in the coming fiscal year.

Given the highly cash generative nature of the business and our current valuation, we remain committed to a progressive dividend policy and an ongoing buyback programme, which will meaningfully reduce the capital base and generate significant shareholder returns.

For our investment case, see pages 6-7.

EMBRACING CHANGE

Since joining Imperial in June 2020, I have visited a total of 35 markets and nine factories and had conversations both face to face and virtually with many hundreds of colleagues. During this past three years, I have seen how our people have embraced change, balancing the need for near-term delivery with supporting our long-term transformation. I have seen too a growing spirit of collaboration, accountability and inclusivity, as we integrate new hires with strong global consumer experience and our colleagues with deep local and sector expertise. Above all else it is the power of our people which gives me confidence in our ability to continue to deliver over our five-year strategy period and beyond.

OUTLOOK

Our five-year strategy is continuing to drive the operational and cultural changes which, despite challenging macro-economic headwinds, are strengthening our financial delivery. This underpins our confidence in delivering against the final two years of our plan with a further improvement in adjusted operating profit growth to support a mid-single-digit constant currency compound annual growth rate over FY23-FY25, in line with our medium-term guidance.

In the coming year, we expect to deliver low single-digit constant currency tobacco and NGP net revenue growth and to grow our constant currency adjusted operating profit close to the middle of our mid-single-digit range.

Performance will be weighted to the second half of the year driven by the phasing of investments in NGP and the phasing of our pricing in FY23. As a result, first half operating profit is expected to grow at low single digits, at constant currency.

Our earnings per share growth will benefit additionally from the continued reduction in the number of shares as a result of our ongoing share buyback programme, although this will be offset slightly by increased adjusted finance and tax costs.

At current rates, foreign exchange translation is expected to be a 0-1% headwind to net revenue, adjusted operating profit and earnings per share.

We look forward to building on our growing operational track record to deliver shareholder returns through an ongoing buyback and progressive dividend, and to play a positive, distinctive role in this industry's transition to a healthier future.

Stefan Bomhard
Chief Executive Officer

A CONSUMER-FOCUSED TEAM

1. Stefan Bomhard
Chief Executive Officer

2. Lukas Paravicini
Chief Financial Officer

3. Alison Clarke
Chief People and Culture Officer

4. Anindya (Andy) Dasgupta
Chief Consumer Officer

5. Javier Huerta
Chief Supply Chain Officer

6. Murray McGowan
Chief Strategy and Development Officer

7. Paola Pocci
President, Africa, Asia, Australasia and Central & Eastern Europe Region

8. Kim Reed
President and CEO, Americas Region

9. Sean Roberts
Chief Legal and Corporate Affairs Officer

10. Aleš Struminský
President, Europe Region

UNRIVALLED FMCG EXPERIENCE

Our Executive Leadership Team has a strong blend of experience from across leading global consumer companies and deep tobacco and local market knowledge.

For more information see
www.imperialbrandsplc.com

Unilever · DIAGEO · WHITBREAD
Nestlé · P&G · Fonterra
Kellogg's · COSTA · PEPSICO
GSK · BACARDI · Yum!