

Slide 1 – Annual General Meeting 2018

Slide 2 – Mark Williamson, Chairman

Good afternoon, ladies and gentlemen and welcome to our 2018 Annual General Meeting.

I'm Mark Williamson, Chairman of Imperial Brands, and I'd like to start by introducing your Board.

On my very far right are Non-Executive Directors Steven Stanbrook and Therese Esperdy, followed by Senior Independent Non-Executive Director Malcolm Wyman.

Next to Malcolm is Chief Development Officer Matthew Phillips, and next to Matthew is our Chief Executive Alison Cooper.

On my immediate left are John Downing, Company Secretary, and Oliver Tant, Chief Financial Officer.

Next to Oliver are Karen Witts, Chair of the Audit Committee and David Haines, Non-Executive Director and Chairman of the Remuneration Committee and Non-Executive Director Simon Langelier.

Today's proceedings are being recorded. I'll start by giving you a brief overview of our 2017 performance, before handing over to Alison for a wider review of the year. We will then deal with the resolutions that are set out in the Notice of Meeting.

Slide 3 – Clear Strategic Focus

We focus on four core areas to maximise returns for our shareholders.

We're strengthening our portfolio, focusing and investing behind our Growth and Specialist Brands, and building an exceptional e-vapour experience with blu.

From a footprint perspective we're prioritising the right markets for investment and growth.....and our Market Repeatable Model that you see there on the slide, is a simple and effective operating framework that is being consistently applied across markets to deliver quality share growth.

Through cost optimisation we're simplifying our ways of working to improve efficiencies and reduce cost.....and by embedding capital discipline in the business, we're able to maximise cash conversion and use that cash to invest in the business, pay dividends and reduce debt.

At last year's AGM Alison explained that we would be stepping up investment behind our strategy to drive future growth.

We increased investment by £310 million in the year, with spend focused behind our MRM in priority markets.

As expected, these investments – plus a tough operating environment - impacted our financial numbers but delivered share gains in many of our most important markets. I'll now handover to Alison for the detail.

Slide 4 – Alison Cooper, Chief Executive

Thanks, Mark and good afternoon everyone.

Slide 5 – Strategy Delivering

As Mark said, the additional investment improved our market shares in our priority markets, generating growth from the right brands - our Growth and Specialist Brands - the strongest assets in our portfolio.

Growth Brand share was up 80 basis points and together, Growth and Specialist Brands delivered 63 per cent of our net revenue.

Further good results in cigars, snus and China added to our quality growth momentum and overall, we delivered a much stronger second half performance as the benefits of the investments started to come through.

I'd now like to share some of the brand and market highlights of last year before talking about what we're doing in next generation products.

I'll look at two markets that received increased investment – one in our Growth Division and one in Returns.

First Growth, and the USA.....

Slide 6 – USA

I was very pleased with our performance in the US, where a focus on our strongest brand equities enabled us to grow both revenue and profit.

In cigarette, investment in Winston included a new 'Bold Choice' brand campaign and the relaunch of a Gold Select blend, initiatives that helped Winston increase its market share by 20 basis points.

Kool also gained 10 basis points in the fast growing menthol segment, although our overall share was down 30 basis points, due to declines in our defocused and less valuable Portfolio Brands.

We delivered another strong performance from our mass market cigar business, which includes the Backwoods, Dutch Masters and Phillies brands.

Our investment behind new customer activation and engagement programmes, as well as the benefits from restructuring our route to market last year, delivered excellent results, including further share and volume growth.

Slide 7 - UK

We delivered a positive performance in the UK, which has been a tough market for several years.

Customer engagement, with an increasingly focused portfolio, enabled us to work with retailers to navigate through the significant European regulatory changes, including the introduction of plain packaging.

We took a diligent approach to managing our pricing strategy and increased investment in distribution, enabling our sales reps to visit thousands of additional outlets.

By the end of the year we'd regained our market leadership in the UK, achieving growth in both cigarette and fine cut tobacco, with Players and Gold Leaf the star performing brands.

Slide 8 – Significant Opportunity in NGP

I'd now like to turn to next generation products. These are alternatives to combustible tobacco products and can be broadly split into three distinct categories: e-vapour, heated tobacco and oral tobacco, such as snus.

We see significant opportunities for Imperial in this space, particularly in terms of e-vapour, which is by far the biggest NGP category.

We've assembled a great portfolio, built around the blu brand, and have been adding to our IP and innovation capabilities.

This has created a solid platform for growth and 2018 is all about realising these opportunities by launching new products in new markets.

Slide 9 – Non-combustible Tobacco

In non-combustible tobacco we are well-represented in oral tobacco with our snus brand Skruf, which has an excellent track record of growth in Scandinavia and we see considerable scope for expanding its availability to other markets.

Heated tobacco is a relatively small NGP category that is growing, most notably in Japan.

We don't currently sell these products but have options that can be deployed if the category starts showing signs of broader, sustainable growth. This includes developing our own products, which have recently been successfully trialled in Japan.

Slide 10 – Realising E-vapour Opportunities

As I said earlier, e-vapour is by far the biggest NGP category and this is where we're prioritising our investment.

From a capabilities perspective, we're enhancing consumer insights and our approach to distribution and marketing.

In terms of innovation, we acquired a fantastic business a few months ago, called Nerudia.

Nerudia's is based in Liverpool, where it has a laboratory able to provide rapid results of testing on concept prototypes, ensuring the team has real-time feedback as innovations progress.

Our portfolio is built around blu and we're launching new formats that will considerably improve the vaping experience, starting in the US where the new 'my blu' offering was launched just a couple of days ago.

And with our footprint, we are targeting rapid expansion: blu is currently available in four markets; by the end of this year it'll be in at least 10 and over 20 by FY19.

So, an exciting programme of activity, and one that's designed to maximise opportunities for blu and drive a step-change in our e-vapour business.

Slide 11 – Corporate Responsibility

It always gives me great pleasure to mention our Corporate Responsibility performance in my presentation.

Operating responsibly supports our strategy and is integral to the way we do business.

We measure our progress against the CR Framework you see there on the slide. Over the years we've consistently improved our performance in all four focus areas and our achievements continue to be recognised externally.

Our drive to provide the best possible working environment and opportunities for our people resulted in a number of Best Employer awards, including two for our subsidiaries in Poland.

And in the Dow Jones Sustainability Index we scored an excellent 84 per cent, up from 76 per cent last year.

Slide 12 – Strong Foundations for FY18

In summary, we have continued to deliver against our strategic agenda and FY17 was an important year of progress.

Investments in tobacco have delivered quality share growth in most of our priority markets and in next generation products, you've seen how we're gearing up to realise significant growth opportunities in e-vapour.

A focus on cost and capital discipline will ensure we sustain and protect the investments we've made.....and in FY18 we look forward to rewarding our shareholders with 10 per cent dividend growth for the tenth successive year.

Before handing back to Mark, a brief word on current trading.

Earlier today we issued an update to confirm that we are on track to meet constant currency net revenue and earnings expectations for the full year, with performance weighted towards the second half.

Copies of the full statement are available at the back of the room.

Thank you.

Slide 13 – Annual General Meeting

Thanks Alison.

Annual General Meeting 7 February 2018

Before turning to the formal business of the Meeting I'd like to thank my colleagues on the Board, our senior management team and employees around the world for their contribution and support.

There are 21 resolutions to be put to the Meeting, all of which are set out and explained in the Notice of Meeting which, with your agreement, I'll take as read.

I intend to take questions in respect of all resolutions now and then ask you to vote on all 21 resolutions, rather than propose each resolution in turn.

Are there any questions please? If you do ask a question, it would be helpful if you would wait for the microphone and let everyone know who you are. Please also state which resolution your question is about.

[Questions]

Thank you for your questions. We will now proceed to vote on all the resolutions.

Annual General Meeting 7 February 2018

All resolutions at our shareholder meetings are decided by polls. Our registrar, Equiniti, is present as the polls' scrutineer to count the votes at the end of the Meeting, and we will announce the results and place them on our website as soon as practicably possible.

The Directors are unanimously in favour of each resolution and recommend that you vote in favour.

Please complete your poll card ensuring that you sign it and then place it in the ballot box by the exit as you leave the room.

I now formally propose that each of the resolutions set out in the Notice of Meeting, and on the poll card, is put to the meeting as a separate resolution. Resolutions 19 to 21 are special resolutions, and will be passed if more than 75 per cent of the votes are cast in favour.

All other resolutions are ordinary resolutions, and will be passed if more than 50 per cent of the votes cast are in favour. For the purposes of such counts, abstentions are not included.

Annual General Meeting 7 February 2018

The proxy votes received prior to the Meeting are now being shown on the screen.

Ladies and gentlemen, that completes today's agenda.

Please place your completed voting card in the ballot boxes located at the exits within the next five minutes, at which time the poll will close.

I would remind you that the results of the AGM will not be announced here today. We will announce the results and place them on our corporate website as soon as practicably possible.

My colleagues and I would like to thank you for attending. I hope you all have a very safe journey home.

Thank you.