

Iain Napier – Chairman

Good afternoon, ladies and gentlemen.

I am delighted to welcome you all to Imperial Tobacco Group's 2010 Annual General Meeting.

A quorum of shareholders is present, so I declare the meeting open.

I'd like to start by introducing your Board.

I am Iain Napier, the Chairman of your Company.

On my very far right is Berge Setrakian a Non-Executive Director, then Michael Herlihy also a Non-Executive Director and then Pierre Jungels, Senior Independent Director and Chairman of our Remuneration Committee.

Moving in, next to Pierre is Jean-Dominique Comolli, Deputy Chairman, Alison Cooper, Chief Operating Officer and next to me, Gareth Davis, our Chief Executive.

On my immediate left is Matthew Phillips, Company Secretary, then Bob Dyrbus, Finance Director, and Graham Blashill, Sales and Marketing Director.

Next to Graham is Mark Williamson, Non-Executive Director and Chairman of the Audit Committee, next to Mark is Susan Murray, Non-Executive Director, then Ken Burnett, Non-Executive Director, and then finally on my far left is Charles Knott, also a Non-Executive Director.

Before moving on to the business of the meeting, you might like to know that today's proceedings are being recorded.

If you wish to ask a question on any of the resolutions, please go to the Question Registration point at the rear of the room.

FY09 Results Summary – strong performance

Our year ended 30 September 2009 was a particularly good year for Imperial we grew profits in our mature markets and made great advances in emerging markets a terrific achievement considering the difficult economic backdrop.

Global cigarette volumes grew by 10 per cent to 322 billion cigarettes, driven by a combination of Altadis and many good brand and market performances.

Adjusted profit from operations was up by 32 per cent to just under £3 billion.

With our strong underlying cash generation coupled with a significant reduction in our working capital we reduced our debt position by £2 billion excluding the impact of foreign exchange and we have no refinancing requirements until July 2012.

The financial results for the second half of 2009 were the first like-for-like comparatives from which you were able to assess our underlying performance following the Altadis acquisition.

In this period, we grew organic profits, that is profits after adjusting for foreign exchange and incremental synergies, by 7 per cent.

Our adjusted earnings per share rose by 18 per cent to 161.8 pence.

Your Board has proposed a final dividend of 52.0 pence, bringing the total dividend for the year to 73.0 pence per share, up 16 per cent.

FY09 Cigarette Highlights – key brand performances

In driving sales we focus on leveraging our total tobacco portfolio across our geographies.

At the top end of the portfolio we grew volumes of our premium brand, Davidoff, by 12 per cent with very strong gains in our Rest of the World region.

In mainstream, Gauloises Blondes delivered 1 per cent growth with progress particularly in Spain, Africa, and the Ukraine and West, although down year-on-year, had a strong recovery in the second half of our financial year, particularly in its core market of Germany and across our Central and Eastern Europe regions.

At the value end we achieved an 11 per cent increase in JPS, with growth in all regions where it was sold.

These leading brands account for over 25 per cent of our cigarette volumes and are complemented by a number of strong regional cigarette brands which make significant contributions in their own markets.

Highlights this year include Maxim, our best selling brand in Russia with in-market volumes up 10 per cent and Fine, a leading brand in the sub-Saharan region of Africa, which we grew by 21 per cent.

Whilst driving the operational performance of the business we remained focused on integration and made excellent progress, both in terms of our specific European projects and the ongoing alignment of our processes and systems.

Our programme delivered slightly ahead of our original plan and we reported cumulative synergies of 190 million euros, 10 million ahead of our target and we also reaffirmed our previously announced targets of 300 million euros of cost synergies for 2010 and 400 million euros for 2012.

We continue to be on track to deliver net revenue synergies of 60 million euros by 2011.

Significant Value Creation – our track record

As you are no doubt aware, Gareth will be retiring in May and this will be his last Annual General Meeting.

When Gareth became Chief Executive in 1996, Imperial was predominantly a UK and Irish business with 2,800 employees and ranking as the number 14 tobacco business in the world. Fourteen years on, your company is very different.

Under Gareth's leadership Imperial has been transformed into a truly global enterprise selling products in over 160 countries, employing 38,000 people and ranking number four in the world creating significant value for our shareholders along the way.

In November, your Board was delighted to confirm Alison will take over from Gareth as Chief Executive. Alison has made an outstanding contribution to the Group over the last 10 years and continues to be a key driver of Group strategy and performance on your Board.

She will ensure that we continue to develop that strategy and to build on our track record.

I would like to take this opportunity to congratulate Alison and thank Gareth for the tremendous contribution he has made to our success.

Gareth Davis – Chief Executive

Thank you Iain - before I start, I'd like to say that I'm delighted Alison will be succeeding me.

I've worked with her for 10 years and during that time she's made a significant contribution throughout the business and become a widely experienced and respected Executive Director.

She has all the qualities needed to take Imperial forward to drive growth and to deliver the high level of returns our shareholders expect.

Now let me run you through our operational performance in more detail, starting with the UK.

UK – balancing share and profit

Where balancing share and sustainable profit growth is our key objective.

Net revenue was £893 million, with adjusted profit from operations up to £601 million.

We estimated that the annual duty paid cigarette market was stable last year and that the fine cut tobacco market was up by 19 per cent.

Both benefited from a reduction in the purchases of UK brands abroad as a weaker economy and currency reduced overseas travel.

We grew profits and our cigarette share of 45.3 per cent reflected excellent progress with JPS Silver and was underpinned by a robust performance from Richmond and Lambert & Butler.

Our fine cut tobacco volumes grew significantly and Golden Virginia Yellow, launched last March partially offset share pressure due to premium segment decline.

On the regulatory front, the UK Government has said that it will consider the case for plain packaging.

We remain strongly opposed to the plain packaging of tobacco products.

Branded packaging has never been identified as a reason why young people start to smoke or why adult smokers continue to smoke.

Making all tobacco products available in the same generic plain packaging will further fuel the growth in illicit trade undermining the UK Government's plans to increase investment in tackling smuggling and counterfeiting.

Plain packaging would also deprive us of our registered trademarks and dilute the value of our brands.

Our intellectual property rights are robustly supported and protected by international trademark treaties and trademark laws at EU and national level.

We do not engage lightly in legal challenge but we will do so in order to protect our brands, the rights of our consumers and the interests of our shareholders.

Germany – JPS continued growth

Moving on to Germany.

Net revenue was £826 million, with adjusted profit from operations up to £403 million.

In Germany, duty paid cigarette volumes declined by an estimated 2 per cent during our financial year with other tobacco products growing by 9 per cent.

Downtrading remained a key dynamic in the market.

Our cigarette volumes grew due to a full year's contribution from Altadis and a broadly stable market share and our profits were up 30 per cent.

JPS was a real success story for us and we built on its excellent growth record.

Our premium brands Gauloises Blondes, Davidoff and R1 were all resilient and maintained market share whilst the success of both maxi and soft packs underpinned the West brand franchise.

We remained market leaders in the growing other tobacco products sector where we increased our volumes as a result of a strong performance from Route 66, growth in JPS and additional private label contracts.

Spain – good domestic performance

Turning now to Spain.

Net revenue was £610 million, with adjusted profit from operations up to £275 million.

Economic conditions were particularly difficult with unemployment approaching 20 per cent.

Market volumes of duty paid cigarettes declined by 7 per cent mainly due to reduced travel retail volumes and further downtrading into the fine cut tobacco sector which experienced strong growth.

In the blond segment, a slight decline in Fortuna was largely offset by further growth from Nobel and Ducados Rubio.

We are market leader in fine cut tobacco and grew volumes by 52 per cent although our share was down due to travel retail declines and strong growth in the natural sector, we launched a new brand, Orígenes, in October last year.

Rest of European Union – cigarette share gains

I'd now like to look at our Rest of EU region.

Net revenue was just under £1.5 billion, with adjusted profit from operations up to £566 million.

Cigarette market volumes were down 4 per cent predominantly as a result of significant duty increases in Poland and the Czech Republic, which led to growing cross-border flows from the east.

Excluding these two markets we estimated that total regional volumes were down 2 per cent in line with long term trends.

The regional fine cut tobacco market grew by 5 per cent.

In France, the cigarette market was up 3 per cent, reflecting a reduction in EU cross-border flows.

Our performance in the blond segment was particularly good and we increased our share to just under 24 per cent, with gains from JPS, News and Fortuna.

Elsewhere in the region we grew cigarette share in a number of markets including Portugal, Greece, the Czech Republic and Austria.

In Central Europe, as excise duties have risen in recent years and consumers continue to seek value, demand for fine cut tobacco products has grown we anticipated these changing dynamics and delivered 31 per cent growth in our volumes across this region.

Additionally, in Scandinavia our snus volumes were up 35 per cent and as a result we are investing in further manufacturing capacity to enable us to meet demand.

Americas – USA

Our main business in the Americas is in the United States, where we delivered net revenue of £861 million, with adjusted profit from operations £288 million.

As a result of the significant increase in Federal Excise Taxes in April last year there was considerable market disruption.

Our share remained stable with our key brands, USA Gold and Sonoma at 2.4 per cent and 1.6 per cent respectively.

We also delivered month-on-month volume growth with Fortuna as we grew its distribution.

Underlying cigar industry volumes were affected by the economic climate and the very substantial tax increases.

However, against this backdrop we performed well with our premium and natural wrapper brands but the homogenised wrapper portfolio was under pressure.

Price increases, cost and operational efficiencies, including the closure of cigar factories in Florida and

Alabama, ensured we maintained profitability.

Rest of the World – continued growth

I'll round up our tobacco operations with our Rest of the World region, where we delivered another excellent performance and cigarette volume growth of 13 per cent.

Net revenue was just over £2.1 billion, with adjusted profit from operations up to £617 million.

In our Africa and Middle East region we delivered a further set of strong results with significant progress from our main brands delivering volume, profit and share gains in many markets.

In Morocco, we consolidated our market leading position ahead of the tobacco distribution monopoly ending this year and delivered growth in Gauloises Blondes and in Saudi Arabia, our main market in the Middle East, our share was up to 9.8 per cent.

We grew profits and volumes in Eastern Europe, achieving particular success with Davidoff, up 16 per cent across the region.

In Russia, our cigarette market share was stable at 8.6 per cent with a good performance from Maxim and in the Ukraine we grew our share of Classic in the value sector and Davidoff in the premium sector.

In Australia we made good progress with Horizon and launched JPS last May.

We delivered a strong performance in Asia and in Taiwan we increased our average cigarette share to just under 10 per cent with positive progress across the bulk of our portfolio.

Logistics Performance

Now moving on to Logistics.

Distribution fees were £964 million, with adjusted profit from operations £177 million.

Our tobacco logistics operations have been resilient and whilst we saw some economic impact in our other logistics operations we were largely able to offset this through cost saving initiatives and share gains in some divisions.

Within tobacco logistics our performance in France was ahead of our expectations and we renewed contracts with BAT and JTI.

In Spain, despite the volume weakness, our results benefited from price increases, and we renewed our distribution contract with Philip Morris.

In other logistics we increased market shares, including in our French wholesale operations and within our pharma division, while in Spain Logista formed a joint venture with a gaming company to provide a range of services to support one of the Spanish lotteries, including distribution and marketing.

We have been rationalising our other logistics operations whilst looking for further opportunities to leverage our expertise profitably.

Q1 Trading

Turning now to the first quarter of our current financial year, where many of the positive trends from 2009 continued.

Outlook

The overall performance and financial position of Imperial Tobacco for the financial year to 30 September 2010 remains in line with the Board's expectations.

The trading highlights by region are set out in our full trading statement issued this morning, copies of which are available from the information point.

So as Terry Wogan said just before Christmas "that's it then". I have been very fortunate to spend all my career in Imperial - 37½ years when I depart in May.

It has been my true privilege to work with some wonderful people in Imperial and throughout the tobacco industry and I am particularly grateful for the tremendous support I have enjoyed over the last 14 years as Chief Executive from my colleagues in our now global workforce and, of course, the support from our investors.

I am more than proud to be leaving Imperial in very capable hands, so I thank you all and wish you the very best for the future.

Thank you ladies and gentlemen.