

Good afternoon, ladies and gentlemen.

I am delighted to welcome you all to Imperial Tobacco Group's 2009 Annual General Meeting.

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

I'd like to start by introducing your Board.

## Iain Napier

I am Iain Napier, the Chairman of your Company.

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

Moving in, next to Pierre is Jean-Dominique Comolli, Deputy Chairman, Alison Cooper, Corporate Development Director 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, Susan Murray, Non-Executive Director, Bruno Bich, Non-Executive Director, and then finally on my far left is Charles Knott, 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.

## FY08 Results Summary – a year of significant achievement

Our year ended 30 September 2008 was one of significant achievement for Imperial, in which we completed the acquisition of Altadis and delivered another good operational and financial performance.

In addition to eight months contribution from Altadis, our 2008 results also included the first full year's performance from Commonwealth Brands.

We increased our global cigarette volumes by 46 per cent to just over 290 billion, with market share gains across many regions.

Adjusted profit from operations was up by 51 per cent to over 2.2 billion pounds and adjusted earnings attributable to ordinary shareholders was up by 26 per cent to a little under 1.2 billion pounds, as was the distribution to shareholders, reflecting our policy of growing dividends in line with underlying earnings.

Therefore, the Board has proposed a final dividend of 42.2 pence per share, bringing the total for the year to 63.1 pence per share.

Adjusted earnings per share were 136.9 pence, a 15 per cent increase on 2007 after adjusting last year's earnings per share for the bonus element of the rights issue.

## **FYo8 Highlights (1) – Altadis deal completed**

The key event of the year was clearly the Altadis acquisition, which was completed on January 25th and which has significantly enhanced our business profile, extending our geographic reach with a more versatile brand and product portfolio.

This includes international strength in cigarette and world leadership in fine cut tobacco, cigars and rolling papers and tubes. And of course, we now also have a leading logistics platform in Europe.

As part of the integration process we announced a number of European restructuring projects in June 2008 that will strengthen our competitive position by addressing over-capacity and improving efficiencies.

We are making good progress with these projects, and are providing a comprehensive range of support measures to assist employees affected by integration.

## **FYo8 Highlights (2) – driving the enlarged business**

The Altadis acquisition and associated transactions were clearly key priorities during the year but we also remained focused on driving the operational performance of the enlarged business.

Altadis has performed well since acquisition with the cigarette division in particular showing strong growth.

Our international cigarette brands Davidoff and Gauloises Blondes did well in many markets, complemented by growth in a number of regional brands, including Gitanes and JPS.

Our enhanced geographic footprint is stronger and more balanced, giving us a substantial profit base in mature markets which we continue to build on, whilst driving growth in emerging markets. In particular, we made excellent progress in Africa, the Middle East and Eastern Europe.

These positive developments are underpinned by the other key elements of our business model - reducing costs and effectively managing our cash.

Global economic conditions are turbulent but our business is both resilient and highly cash generative and we look to the future with confidence.

Thank you ladies and gentlemen. I'll now hand you over to Gareth for a more detailed overview of our 2008 trading performance and a summary of the first quarter of our current financial year.

## **Gareth Davis**

Thank you Iain. Good afternoon ladies and gentlemen. Let me run you through the headlines of our 2008 financial year.

## **Cigarette Highlights**

As Iain said, we increased our cigarette volumes by 46 per cent to just over 290 billion and underlying Imperial brands, on a stand alone basis, were up by 2 per cent.

Volumes of our key international cigarette brands, Davidoff, West, JPS, Gauloises Blondes, Gitanes Blondes and Fortuna grew by 4 per cent during the year.

These brands now make up around 30 per cent of our total cigarette volumes and the growth we have achieved has been supported by increased investment in innovation and line extensions.

## UK

Let me now move onto a regional review of our performance, and we'll start with the UK, where to us success is all about balancing market share and profit.

Net revenue was £869 million, with adjusted profit from operations up to £584 million.

We estimate that the duty paid cigarette market declined by 5% during the year, two to three per cent of which we believe was attributable to the smoking bans introduced in 2007.

Market volumes of fine cut tobacco were up 7 per cent and we continue to lead the segment.

We are the market leader in cigarette with a particularly strong presence in all market segments. Our market share ended the year at 45.9 per cent, down zero point five per cent compared to last year.

We have the two best-selling cigarette brands, Lambert & Butler and Richmond, complemented by our value offering, Windsor Blue, which did extremely well to grow its market share to 3 per cent in a very competitive segment. To capitalise on further growth in the economy sector we also launched the JPS Silver range in November 2008, and early results are very promising.

Whilst our fine cut tobacco volumes increased, our market share declined to a little under 62 per cent. Our premium brand Golden Virginia is by far the market leader and our value brand Gold Leaf did well to grow share to 2.6 per cent in the sixteen months since launch.

Our strength in value brands and products is an advantage in the current climate and we'll focus on building our share of the growing economy sector while continuing to support the rest of our portfolio.

## Germany

Moving on to Germany.

Net revenue was £664 million, with adjusted profit from operations up to £309 million.

Duty paid cigarette volumes declined by an estimated 3 per cent.

We believe that around 2 per cent of this decline was attributable to the introduction of public smoking restrictions, although these have eased recently in some states following a court ruling that certain aspects of the legislation were unconstitutional.

Market volumes of other tobacco products were down 5 per cent, largely due to a 24 per cent decline in eco-cigarillos, which were subject to a legal change to the product specifications at the end of 2007.

Downtrading remains a key dynamic and we have benefited from this, increasing our cigarette market share to 27.4 per cent.

Our success in the value sector was driven by JPS which had another great year and became the second largest cigarette brand in Germany.

We grew our market share of other tobacco products to 20 per cent with strong performances from JPS and Route 66, particularly in the make your own sector.

Overall, we had some good brand performances in Germany and we remain focused on further developing our market shares.

## Spain

Now let's take a look at Spain where we now have a market leading position in all tobacco categories. Net revenue was £411 million and adjusted profit from operations was £150 million.

Market volumes of duty paid cigarettes have remained stable at around 90 billion. Fine cut tobacco market volumes grew substantially.

Cigar market volumes were up 5 per cent to just over a billion in the year, reflecting strong growth in the small size segment.

Our cigarette market share stood at just over 37 per cent.

Fortuna, a mid-price offering and the second best-selling brand in Spain, was broadly stable at around 12 per cent share, complemented by growth from Nobel, again in the mid-price sector, and Ducados Rubio in the value segment.

Our repositioning of Golden Virginia and Drum has stabilised our fine cut tobacco market share at just under 50 per cent.

Our cigar market share was just under 37 per cent. Amongst our key brands, Farias Mini cigars performed particularly well, growing share to 20.5 per cent in the small size segment.

We have a good portfolio in Spain and intend to make further progress across all tobacco categories.

## Rest of European Union

Moving onto the Rest of European Union.

Net revenue was over £1.2 billion, with adjusted profit from operations at £494 million.

We estimate that the regional cigarette market declined by 3 per cent to 382 billion cigarettes in a generally positive pricing environment.

Fine cut tobacco volumes grew by 1 per cent to 34,000 tonnes while cigar volumes continued to be impacted by the introduction of public and workplace smoking restrictions.

Our cigarette brands across all segments performed well during the year, with particularly strong volume growth from Davidoff at the premium end and JPS and Golden Gate at the value end.

We grew our cigarette market shares across the region, including gains in France, Ireland, Greece, The Netherlands and Poland.

We've been swift to capitalise on the downtrading trend from cigarettes in the EU accession countries, particularly in Hungary and the Czech Republic where our shares in fine cut tobacco have increased substantially.

We've established a very strong platform in this region and see considerable opportunities ahead.

## Americas

Our Americas operations delivered net revenue of £542 million and adjusted profit from operations of £166 million.

The main focus of our operations is the USA where we estimate that the overall cigarette market declined by 4 per cent.

We estimate that fine cut tobacco market volumes grew by 5 per cent.

Our US cigarette market share was up to 4.3 per cent of the total market, driven by growth from both our key discount brands, USA Gold and Sonoma.

We also improved our fine cut tobacco position following the addition of Rave and the launch of Premier.

We are market leader in the large cigar sector in terms of net sales and in challenging market conditions, our natural wrapper brands of Dutch Masters and Backwoods performed well following the introduction of new variants.

We're pleased with the progress we've made to date in the US. We've rapidly assembled a versatile portfolio and are in the process of further enhancing our growth prospects by expanding our sales force to improve our national distribution capabilities.

## Rest of the World (1)

Our final geographic region is the Rest of the World, where net revenue was £1.5 billion and adjusted profit from operations was £404 million.

The region mainly consists of emerging markets from which we generated around 60 per cent of our total cigarette volumes during the year and where we see plenty of opportunities for further growth.

The region also includes our global duty free operations and our cigar joint venture.

Let me start with Asia.

Our Asian performance was affected by increased competition and downtrading in Taiwan, which particularly impacted the premium segment.

We've reduced our stock levels and our new factory will improve our competitive position, tighten our supply chain and provide a strong platform for recovery in Taiwan and expansion in the Asia-Pacific region.

Elsewhere, we now have a strong position in Cambodia as a result of the Altadis acquisition, and continued to make good progress in Laos, and strengthened our position in Vietnam with our new Danang joint venture.

We continue to go from strength to strength in Africa.

We are now the number one player in Morocco with our leading brand Marquise and we launched Davidoff in June with promising early results.

In our sub-Saharan markets we saw some excellent results with good performances from our local brands including Fine, Excellence and Mustang.

Our operations in the Middle East were equally strong. In volume terms, Gauloises Blondes is now our leading cigarette brand in the region.

Davidoff has also been a real success story in the Middle East, recording compound annual growth of 44

per cent over the last five years. Davidoff continues to do very well in Saudi Arabia, where its share was over 9 per cent.

Our growing operations in Turkey are included in this region and during the year we strengthened our share with increased investment in marketing.

## Rest of the World (2)

In Russia mid-priced and local brands were under pressure but we saw growth in premium brands with Davidoff doing well.

Our share in the Ukraine benefited from significant growth in volumes of Davidoff and Classic, while in Azerbaijan it was Davidoff and West which increased our share.

Our global duty free operations account for 5 billion cigarettes a year. Whilst this only represents 3 per cent of the regional total, our main brands are Davidoff and Gauloises Blondes and as a result the profit contribution is significantly higher.

Within cigar, our joint venture Corporacion Habanos has inevitably seen some impact on volumes as a result of public smoking restrictions and the economic downturn but the benefit of regular price increases mitigated the volume decline.

## Manufacturing

I'll round off my review of our tobacco performance with a quick look at manufacturing.

A key area of focus this year has been on integrating the supply chain processes of Imperial and Altadis in order to leverage the considerable synergy potential.

We have maintained our focus on simplification, standardization and capacity optimization, and have delivered further operational improvements within the Imperial portfolio.

Our focus on cost optimization and efficiency improvements is being extended across our enlarged manufacturing portfolio.

The tobacco industry is evolving and flexibility is therefore key to our success. We will ensure that we respond quickly to changing market dynamics and consumer preferences, and we will continue to deliver the quality of product necessary to build upon our strong presence in the international markets.

## Logistics

Moving on to Logistics.

Distribution fees were £607 million and adjusted profit from operations was £121 million.

Our main activities are in Spain, Portugal, Italy and France, and we have also established new operations in Poland in the last year.

Tobacco distribution accounts for around half of our operations, with other logistic activities including transport, pharmaceutical and publishing making up the balance.

In other logistics, the traditional wholesale business performed well in a difficult environment.

However, our overall business was affected by continued weakness in publications, and the impact of the economic downturn on the transport business.

The good performance of tobacco logistics reflected a cigarette price increase in Italy and stable tobacco volumes in Spain, which offset a decline in French volumes following the extension of the public smoking ban.

## Q1 Trading

Turning now to the first quarter of our current financial year, where many of the positive trends from 2008 continued.

## Outlook

The overall performance and financial position of Imperial Tobacco for the financial year to 30 September 2009 remains in line with management's expectations.

We anticipate providing further financial information on the Group ahead of entering the close period for our half-yearly results for the six months to 31 March 2009.

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.

Thank you ladies and gentlemen. I'll now hand you back to Iain.

## Annual General Meeting

Thank you Gareth.

I hope that Gareth's presentation has given you an interesting overview.

Before turning to the formal business of the meeting I would like to thank my colleagues on the Board, our senior management team and our employees worldwide for their contribution to another successful year in 2008.