



Mark Williamson Chairman

We delivered another good performance in 2015, creating further sustainable value for our shareholders. This was achieved through the consistent execution of our strategy, which is focused on maximising sales, cost and cash opportunities.

Our performance highlights included gains from our Growth and Specialist Brands, strong results in a broad spread of markets and the completion of an acquisition that has transformed our presence in the USA, the world's most profitable tobacco market outside of China.

We also made excellent progress with our strategic transition initiatives, further optimising our portfolio and market footprint, implementing better ways of working and efficiently managing our cost base.

It is a credit to our people around the world that Imperial Tobacco continues to deliver such good results, often against a backdrop of difficult market conditions. My thanks to everyone for their contribution.

Growing Returns for Shareholders

Our success continues to generate sustainable returns for our shareholders.

On a constant currency basis tobacco net revenue was up by 4 per cent, adjusted operating profit was up by 7 per cent and we grew adjusted earnings per share by 8 per cent.

The Board is pleased to be recommending a total dividend for the year of 141.0 pence per share, another strong increase of 10 per cent.

Investing in the USA

In July 2014 we announced our intention to acquire a number of assets in the USA, one of our key Growth Markets. These assets were being sold as a result of the acquisition of Lorillard by Reynolds American and consisted of a portfolio of US cigarette brands, blu, a leading e-cigarette brand and Lorillard's infrastructure, including its cigarette factory and national sales force.

We successfully completed the transaction on 12 June 2015 for a consideration of \$7.1 billion (£4.6 billion) or \$5.6 billion (£3.6 billion) after adjusting for the present value of expected tax benefits of approximately \$1.5 billion.

The deal, which was financed from debt and our own cash resources, has significantly enhanced our operations in the USA providing national distribution for our brands and improving our cigarette market share from around 3 per cent to over 9 per cent.

The expanded business, ITG Brands, will significantly increase the diversity and sustainability of our cash flow and returns. The USA will become the largest contributor to Group revenues and as a result, we now disclose our USA performance as a separate reportable segment.

Capital Discipline

Our continued focus on embedding stronger capital discipline in the business was reflected in further improvements in cash conversion and debt reduction.

Cash conversion increased to 97 per cent, up from 91 per cent last year.

Adjusted net debt increased to £11.6 billion, the result of adding £4.6 billion for the USA acquisition. We reduced adjusted net debt in the existing business by £1.1 billion, building on the excellent progress we made in 2014 and taking the total reduction over the last two years to £2.1 billion.

A Responsible Business

We run our business responsibly and take pride in the positive contributions we make in countries across our international footprint. We respect the natural resources we use, provide employment for around 36,400 people and return over £16 billion a year to governments in taxes and duties.

Our corporate responsibility priorities are clearly set out in our responsibility framework and an update on the progress we're making in key areas can be found on pages 21 to 24 of this report and on our website: www.imperial-tobacco.com

Governance and the Board

Strong governance is integral to our long-term sustainability and the Board is committed to ensuring that Imperial Tobacco is governed and managed in an open, honest and transparent manner.

Our Governance Report provides an overview of our governance framework and the work of the Board and its Committees.

Following the completion of the USA acquisition we made a number of senior management changes to ensure that we have the right structure in place to lead the enlarged Group.

These changes included appointing Matthew Phillips, previously Corporate Affairs Director and a member of the Board for the past three years, as Chief Development Officer. In this new role, Matthew is responsible for corporate development and Fontem Ventures, including blu, and also retains his corporate and legal affairs responsibilities.

Building on our Success

We made good progress in 2015 and will continue to focus on strengthening the business and improving the quality of our growth.

We have the strategy, the capabilities and the people to build on these results and deliver another year of value creation for our shareholders.

Mark Williamson
Chairman