

WHO WE ARE

We're an international fast-moving consumer goods company with a strong track record of creating value for shareholders.

Our core business is built around a tobacco portfolio that offers consumers comprehensive brand choice, and we're also creating new consumer experiences through our non-tobacco subsidiary Fontem Ventures.

We're proud of our success and excited about the future; the strength of our brands, our geographic diversity and the talents of our dynamic people are a winning combination for generating high-quality growth in the years ahead.

Brands

Our Growth Brands and Specialist Brands highlight the quality in our portfolio and have significant potential for future growth.



Markets

The strategic role that each market plays in our success story defines how it is managed, with markets prioritising either Growth or Returns.



People

Our values express what we stand for and capture the individual and collective behaviours we expect from everyone who works for us.



PERFORMANCE HIGHLIGHTS

| | |
|--|--|
| Dividends Per Share | Adjusted Earnings Per Share ¹ |
| +10% 128.1p | +2% 203.4p |
| Tobacco Net Revenue ¹ | Adjusted Operating Profit ¹ |
| +2% ² £6.6bn | +0% £3bn |
| Cash Conversion | Adjusted Net Debt Reduction |
| +5% 91% | -11% £1bn |
| Growth Brand Volumes | |
| +7% ² 131bn | |

- 1 Changes in our adjusted results are presented on a constant currency basis.
- 2 Underlying change. See explanation in the Performance Measures table below.

Performance Measures

| Measure | Explanation | Where used |
|-------------------------|---|---|
| Reported (GAAP) | Complies with International Financial Reporting Standards and the relevant legislation. | Throughout the report. |
| Adjusted (Non-GAAP) | Non-GAAP measures provide a useful comparison of performance from one period to the next. These measures are defined in the Accounting Policies on page 77. | Throughout the report. |
| Constant currency basis | Removes the effect of exchange rate movements on the translation of the results of our overseas operations. | Throughout the report. |
| Underlying change | Removes the impact of our stock optimisation programme in order to reflect management's estimate of the underlying performance by adjusting for the one-off fall in sales arising from the reduction in excess stock held in distribution channels. | Throughout the report but only for Growth Brand volumes, tobacco net revenue and adjusted earnings per share. |

CONTENTS

STRATEGIC REPORT OVERVIEW

| | |
|----------------------------|---|
| Performance Highlights | 1 |
| How We Create Value | 2 |
| Strengthening our Business | 4 |
| Chairman's Statement | 6 |

STRATEGY

| | |
|----------------------------|----|
| Chief Executive's Review | 7 |
| Key Performance Indicators | 11 |

PERFORMANCE

| | |
|-----------------------------------|----|
| Operating Review | 12 |
| Financial Review | 15 |
| Corporate Responsibility | 17 |
| Risk Management | 21 |
| Principal Risks and Uncertainties | 24 |

GOVERNANCE

| | |
|--------------------------------|----|
| Chairman's Introduction | 27 |
| Board of Directors | 28 |
| The Board and its Committees | 30 |
| Directors' Report | 42 |
| Directors' Remuneration Report | 46 |

FINANCIAL STATEMENTS AND NOTES

| | |
|---|-----|
| Independent Auditors' Report | 66 |
| Consolidated Income Statement | 72 |
| Consolidated Statement of Comprehensive Income | 73 |
| Consolidated Balance Sheet | 74 |
| Consolidated Statement of Changes in Equity | 75 |
| Consolidated Cash Flow Statement | 76 |
| Notes to the Financial Statements | 77 |
| Independent Auditors' Report to the Members of Imperial Tobacco Group PLC | 115 |
| Imperial Tobacco Group PLC Balance Sheet | 116 |
| Notes to the Financial Statements of Imperial Tobacco Group PLC | 117 |

SUPPLEMENTARY INFORMATION

| | |
|-------------------------|-----|
| Principal Undertakings | 120 |
| Shareholder Information | 123 |

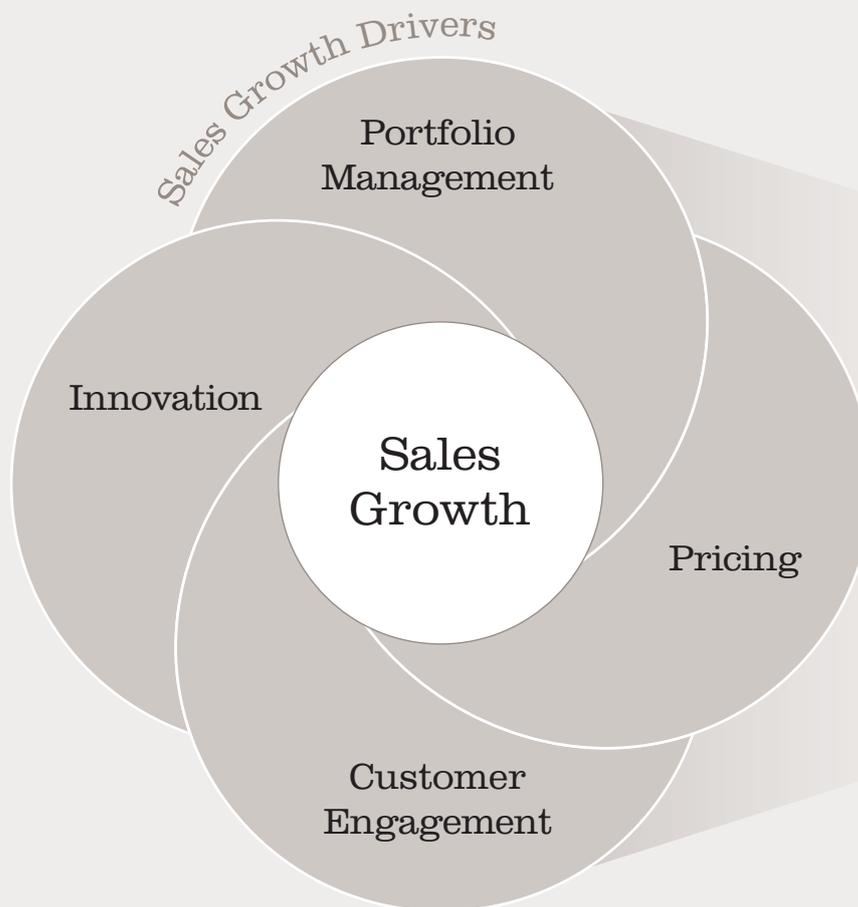


For a more interactive experience visit:
www.imperial-tobacco.com

Our Strategy and Business Model

Strategy

Our strategy enables us to deliver sustainable growth and sustainable returns to shareholders. We use consumer insights and selected sales growth drivers to build sales of our Growth and Specialist Brands across our markets. We cluster these markets to generate either Growth or Returns. We target long-term share and profit growth in Growth Markets and prioritise sustainable profit performance, while actively managing our strong share positions, in Returns Markets. Effective cost and cash management supports our sales ambitions.



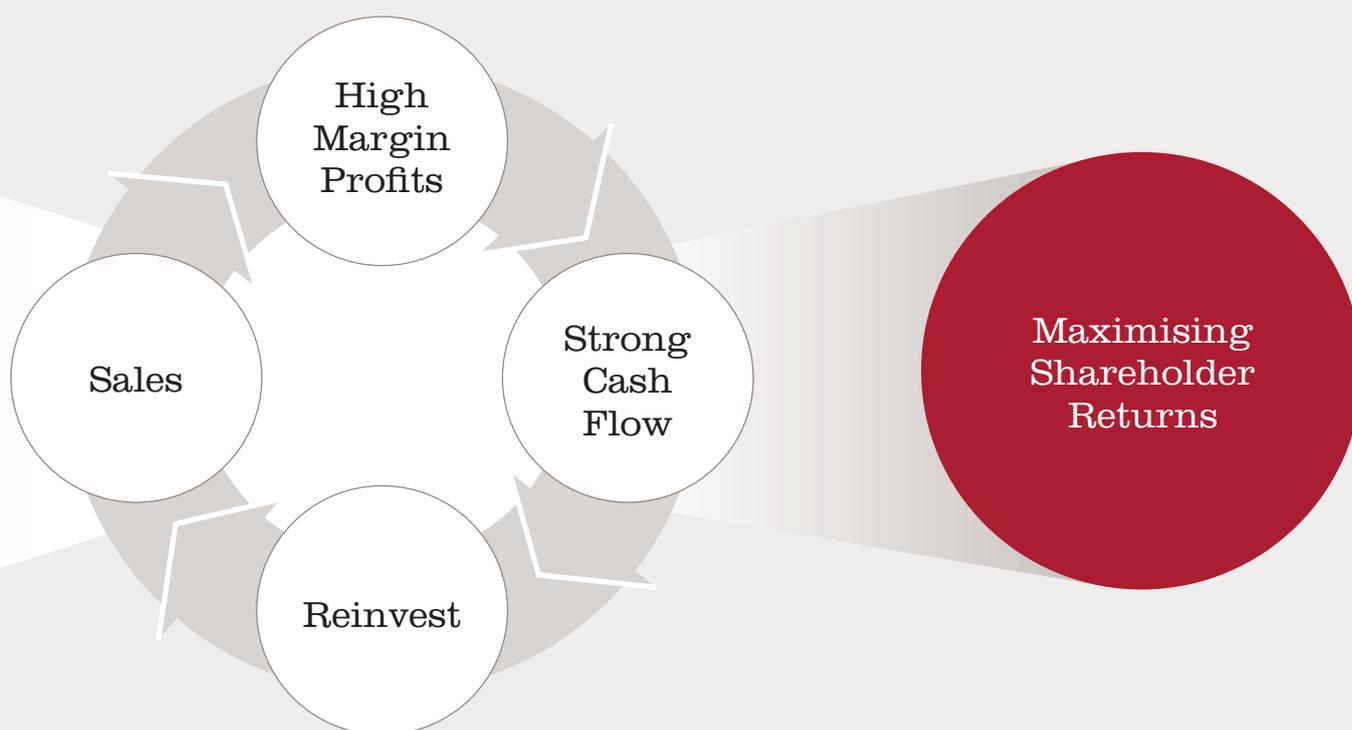
Sales Growth Drivers

We focus on portfolio management, innovation, customer engagement and pricing to maximise opportunities for quality sustainable growth. These four sales growth drivers are used to drive the performance of our Growth and Specialist Brands in all our markets.

Find out more on page 8.

Business Model

Our business model shows how we create value. Our focus on quality sustainable sales growth, combined with the efficient way we manage costs, delivers high operating margins. This generates the strong cash flows that are a hallmark of our business. We use this cash to reinvest in the business, pay down debt or return to shareholders.



How we Support Growth

Strong Governance

High standards of governance are critical to our sustainability.

Find out more on page 27

Acting Responsibly

Operating responsibly is integral to the way we do business.

Find out more on page 17

Managing Risk

We actively identify, manage and mitigate the risks facing our business.

Find out more on page 21

Rewarding Success

Our people are rewarded fairly and incentivised to deliver our sales strategy.

Find out more on page 46

Stronger Brands

We're optimising our portfolio to focus on our Growth and Specialist Brands, which generate more than half our tobacco net revenue. Portfolio Brands either add to our revenue generation or will be migrated into Growth Brands.

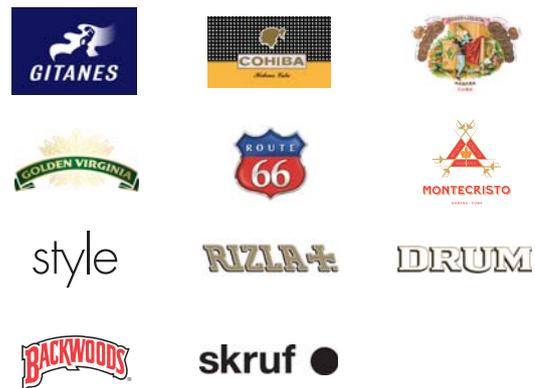
Growth Brands

Our Growth Brands have broad appeal and several have been developed into total tobacco offerings, providing consumers with both cigarette and fine cut tobacco smoking experiences. We manage our Growth Brands to drive quality sustainable growth and they account for 45 per cent of our total volumes and 42 per cent of our tobacco net revenue.

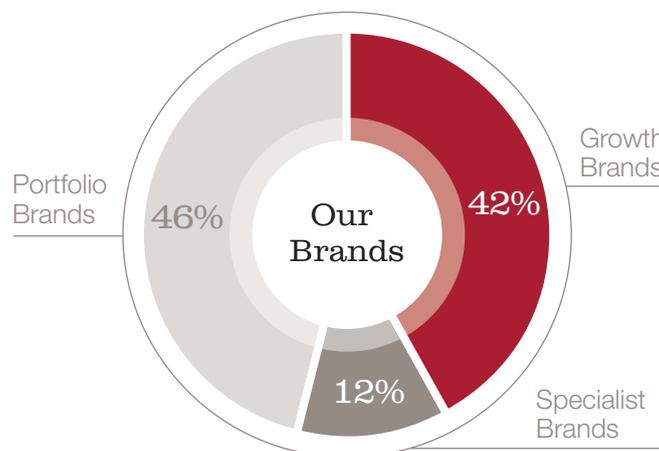


Specialist Brands

Our Specialist Brands are enjoyed by specific consumer groups and represent a dynamic range of cigarette, fine cut tobacco, paper, cigar and smokeless tobacco brands. These brands have a track record of generating strong returns and account for 12 per cent of our tobacco net revenue.



Tobacco net revenue by brand



Stronger Markets

We manage our markets on the strategic role they play, not by geographic location. Our markets prioritise Growth or Returns, driving more effective resource allocation and greater collaboration.

Growth Markets

Our Growth Markets include selected markets in the EU, Eastern Europe, Asia, the Middle East and the USA. The key territories are listed below. There are considerable opportunities for us to build our presence in Growth Markets, where our priority is to drive long-term share and profit growth.

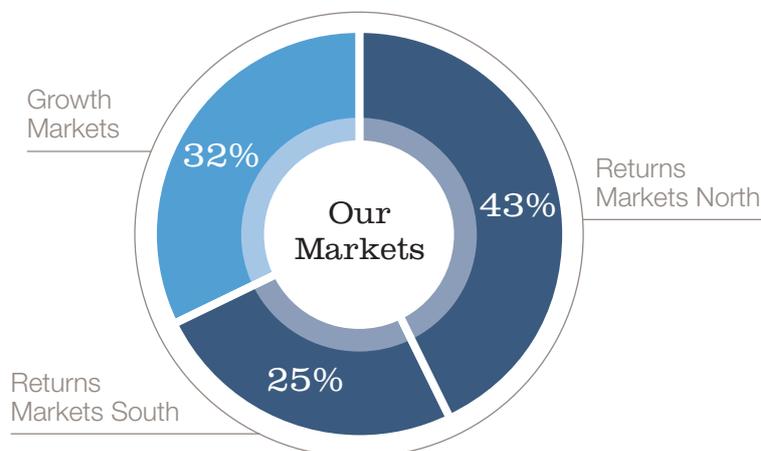


Returns Markets

Returns Markets are split into North and South and include Australia and markets in the EU, Eastern Europe and Africa; the key ones are listed below. In Returns Markets we prioritise sustainable profit performance, while actively managing our strong share positions.



Tobacco net revenue by market





Mark Williamson Chairman

In 2014, my first year as Chairman, we created further value for our shareholders and continued to build the quality and sustainability of our business. Our strategic focus on maximising sales, cost and cash opportunities enabled us to achieve our targets and further transition the business to strengthen our future growth prospects.

Transition initiatives included improving supply through a stock optimisation programme. This reduced trade inventories in some major markets, affecting our volume, revenue and profit performance. The underlying results we have disclosed in this report remove the impact of the stock programme and give a clearer picture of how well we performed.

Our results were delivered against a backdrop of challenging conditions in some territories and I'd like to thank our employees around the world for the huge contribution they made throughout the year.

Enhancing Returns for Shareholders

Total adjusted operating profit was stable at £3 billion and underlying tobacco net revenue increased by 2 per cent. Adjusted earnings per share was up by 2 per cent on a constant currency basis to 203.4 pence and up by 7 per cent on an underlying basis. Reported earnings per share was 148.5 pence.

The Board is committed to shareholder returns and delivering consistently strong dividend growth. This year the Board is recommending a final dividend of 89.3 pence per share, which will be paid on 17 February 2015 to shareholders on the register on 16 January 2015. This brings the total dividend for 2014 to 128.1 pence, an increase of 10 per cent.

With effect from our 2015 financial year, we will pay dividends on a quarterly basis in order to give shareholders more regular cash returns.

Investing in the USA

In July we agreed to invest \$7.1 billion (£4.2 billion) to acquire a number of assets in the USA, one of our key Growth Markets and the most profitable tobacco market in the world, outside of China. These assets are being sold as a result of the acquisition of Lorillard by Reynolds American and include a portfolio of USA cigarette brands and blu, a leading e-cigarette brand in the USA. The cigarette brands are being acquired from Reynolds American without historic product liabilities. An indemnity against such liabilities will be provided by Reynolds American under the terms of the transaction.

The acquisition will be debt financed and is subject to regulatory and shareholder approval, which we expect to receive in the spring of 2015. This is a key strategic investment for the Group that will transform our USA operations, diversify our profit stream and create significant value for our shareholders.

Capital Discipline

In July we also completed a partial IPO of Logista on the Spanish Stock Market as part of our commitment to capital discipline, selling approximately 30 per cent of Logista for a consideration of £395 million net of fees (€518 million).

The proceeds helped reduce our adjusted net debt by £1 billion. This significant reduction was also driven by foreign exchange benefits and a focus on more effectively managing working capital, which further reinforces our drive to embed stronger capital discipline in the business.

Operating Responsibly

The responsible way we run our business is integral to our long-term sustainability. Our people take great pride in doing things the right way, living our values and respecting our Code of Conduct and I'm pleased to see that our efforts continue to be recognised externally.

We scored 94 per cent in the Business in the Community Corporate Responsibility Index and 74 per cent in the RobecoSAM assessment for the Dow Jones Sustainability Index.

More information about our achievements can be found in the Corporate Responsibility section of this report and on our website www.imperial-tobacco.com

Governance and the Board

I was delighted to succeed Iain Napier as Chairman in February. Iain served on the Board for 13 years, seven as Chairman, and I would like to thank him for the significant contribution he made to the business.

I'm committed to ensuring that Imperial Tobacco continues to be governed and managed with openness, honesty and transparency. Our Governance Report highlights the progress we've made against our key focus areas and sets out the Board's priorities for 2015.

There were a number of other Board changes in the year. Oliver Tant joined us from KPMG in October, prior to being appointed Chief Financial Officer in November, and Karen Witts, Group Finance Director of Kingfisher plc, was appointed Independent Non-Executive Director in February. Both have a wealth of skills and expertise and are proving to be very strong additions to the business.

In addition two long-standing Non-Executive Directors left the Board after completing nine years' service: Berge Setrakian stood down in February and Susan Murray stood down in September. I would like to thank them both for the considerable contributions they have made over the years.

Creating Sustainable Value

We have made good progress this year and are well placed to build on our performance in 2015.

The external environment will continue to pose challenges but we have consistently demonstrated our ability to grow our business in difficult conditions. We have the brands, the footprint and the people to succeed and I'm confident that we will add to our track record of value creation in the coming year and beyond.

A handwritten signature in black ink, appearing to read 'M Williamson', written over a horizontal line.

Mark Williamson
Chairman