

Dear Shareholder

ANNUAL GENERAL MEETING OF IMPERIAL TOBACCO GROUP PLC

I am pleased to inform you that the Imperial Tobacco Group PLC (the Company) 2012 Annual Report and Accounts has now been published.

If you have requested a printed copy of the Annual Report and Accounts, it is enclosed with this letter together with the associated documents. If you requested to receive your Annual Report and Accounts electronically or did not return the election card previously sent to you, please accept this letter as notification that the Annual Report and Accounts and associated documents have now been published on the Investors section of our website (www.imperial-tobacco.com). We have also published a brief summary of the Company's performance which I hope you will find useful and which, if you are receiving this letter in hardcopy, is included with this letter or is available on the Company's website.

Our annual general meeting (AGM) will be held at the Bristol Marriott Hotel City Centre on Wednesday, 30 January 2013 at 2.30pm. The notice of the AGM, particulars of the resolutions on which you can vote and details of the administrative arrangements we have made for the AGM are set out on the following pages.

At the AGM all resolutions will be voted on a poll. If you are unable to attend the AGM you can still use your vote if you appoint a proxy. To appoint a proxy you can complete your proxy form electronically at www.sharevote.co.uk. To do this you will need your personal voting reference number which is shown on your enclosed proxy form. Alternatively, you can complete your paper proxy form and return it to the Company's registrars, Equiniti Limited, in the enclosed reply paid envelope. Please note all proxy forms, whether completed electronically or on paper, must be received by the Company's registrars not less than 48 hours before the start of the AGM.

The result of the polls will be announced on both a regulatory information service and the Company's website shortly after the AGM.

Your Directors believe that all the proposals to be considered at the AGM are in the best interests of both the Company and its shareholders. They unanimously recommend shareholders to vote in favour of all the resolutions set out in the notice. Your Directors will all be voting in favour of the resolutions in respect of their own shareholdings.

If you have recently sold or transferred all of your shares in the Company, please pass both this document and the accompanying associated documents, if any, to the purchaser, transferee or agent through whom the transfer was effected for transmission to the purchaser or transferee.

For the safety and comfort of those attending the AGM, large bags, other large items, cameras, recording equipment and mobile phones with built in cameras will not be allowed into the auditorium; anyone attempting to use recording and/or camera equipment will be asked to leave the auditorium. Small bags may be searched before you are permitted to take them into the auditorium. Cloakroom facilities will be provided but for security reasons the hotel may not accept large bags or other large items. The Company does not accept any liability or responsibility for any items deposited in the cloakroom. Please ensure mobile phones and similar devices are switched off during the AGM.

Yours sincerely



Iain Napier
Chairman

IMPERIAL TOBACCO GROUP PLC NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO ANY ASPECT OF THE CONTENTS OF THIS DOCUMENT OR THE ACTION YOU SHOULD TAKE YOU ARE RECOMMENDED TO CONSULT AN INDEPENDENT ADVISOR AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

Notice is hereby given that the annual general meeting (the AGM) of Imperial Tobacco Group PLC (the Company) will be held at the Bristol Marriott Hotel City Centre, 2 Lower Castle Street, Old Market, Bristol, BS1 3AD on Wednesday, 30 January 2013 at 2.30pm (doors open from 1.30pm) for the transaction of the following business:

ORDINARY BUSINESS

To consider and, if thought fit, pass resolutions 1 to 16 as ordinary resolutions:

Resolution 1

THAT the Accounts for the financial year ended 30 September 2012 together with the Directors' and Auditor's reports thereon be received.

Resolution 2

THAT the Directors' Remuneration Report for the financial year ended 30 September 2012 together with the Auditor's report thereon be received and approved.

Resolution 3

THAT a final dividend for the financial year ended 30 September 2012 of 73.9 pence per ordinary share of 10 pence payable on 18 February 2013 to those shareholders on the register at the close of business on 18 January 2013 be declared.

Resolution 4

THAT Dr K M Burnett be re-elected as a Director of the Company.

Resolution 5

THAT Mrs A J Cooper be re-elected as a Director of the Company.

Resolution 6

THAT Mr R Dyrbus be re-elected as a Director of the Company.

Resolution 7

THAT Mr D J Haines be elected as a Director of the Company.

Resolution 8

THAT Mr M H C Herlihy be re-elected as a Director of the Company.

Resolution 9

THAT Ms S E Murray be re-elected as a Director of the Company.

Resolution 10

THAT Mr I J G Napier be re-elected as a Director of the Company.

Resolution 11

THAT Mr M R Phillips be elected as a Director of the Company.

Resolution 12

THAT Mr B Setrakian be re-elected as a Director of the Company.

Resolution 13

THAT Mr M D Williamson be re-elected as a Director of the Company.

Resolution 14

THAT Mr M I Wyman be re-elected as a Director of the Company.

Resolution 15

THAT PricewaterhouseCoopers LLP be reappointed as Auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 16

THAT the Directors be authorised to set the remuneration of the Auditor.

SPECIAL BUSINESS

To consider and, if thought fit, pass resolutions 17 to 21 as ordinary resolutions and resolutions 22 to 24 as special resolutions:

Resolution 17

THAT in accordance with section 366 of the Companies Act 2006, the Company and all companies that are subsidiaries at any time during the period for which this resolution has effect are hereby authorised, during the period commencing on the date of this resolution and ending at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2014, to:

- i. make political donations to political parties, to political organisations other than political parties, or to independent election candidates, as defined in sections 363 and 364 of the Companies Act 2006, not exceeding £100,000 in total; and
- ii. incur political expenditure, as defined in section 365 of the Companies Act 2006, not exceeding £100,000 in total.

Resolution 18

THAT

- i. the Directors be authorised to allot ordinary shares of 10 pence each in the capital of the Company (Ordinary Shares) or grant rights to subscribe for, or convert any security into, Ordinary Shares in accordance with article 7 of the Company's Articles of Association, up to a maximum nominal amount of £32,800,000;
- ii. this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2014; and
- iii. all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require Ordinary Shares to be allotted or rights to be granted on or after that date).

Resolution 19

THAT the rules of the Imperial Tobacco Group Share Matching Scheme (the SMS), a summary of the principal provisions of which is set out in Appendix 1 to this notice and a copy of which is produced to the meeting signed by the Chairman for the purposes of identification, be approved and adopted by the Company and the Directors be authorised to do all acts and things necessary to establish and carry the SMS into effect and to establish further schemes for the benefit of employees outside the UK, based on the SMS but modified to take account of local tax, exchange control and securities laws in overseas territories, provided that any shares made available under such schemes are treated as counting against any limits on individual or overall participation contained in the SMS.

Resolution 20

THAT the rules of the Imperial Tobacco Group Long Term Incentive Plan (the LTIP), a summary of the principal provisions of which is set out in Appendix 2 to this notice and a copy of which is produced to the meeting signed by the Chairman for the purposes of identification, be approved and adopted by the Company and the Directors be authorised to do all acts and things necessary to establish and carry the LTIP into effect and to establish further plans for the benefit of employees outside the UK, based on the LTIP but modified to take account of local tax, exchange control and securities laws in overseas territories, provided that any shares made available under such plans are treated as counting against any limits on individual or overall participation contained in the LTIP.

Resolution 21

THAT the rules of the Imperial Tobacco Group International Sharesave Plan (the Sharesave), a summary of the principal provisions of which is set out in Appendix 3 to this notice and a copy of which is produced to the meeting signed by the Chairman for the purposes of identification, be approved and adopted by the Company and the Directors be authorised to do all acts and things necessary to establish and carry the Sharesave into effect and to establish further plans for the benefit of employees outside the UK, based on the Sharesave but modified to take account of local tax, exchange control and securities laws in overseas territories, provided that any shares made available under such plans are treated as counting against any limits on individual or overall participation contained in the Sharesave.

Resolution 22

THAT

- i. in accordance with article 8 of the Company's Articles of Association, the Directors be given power to allot equity securities for cash;
- ii. the power under paragraph (i) above (other than in connection with a rights issue, as defined in article 8(b)(ii) of the Company's Articles of Association) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £5,330,000;
- iii. this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2014; and
- iv. all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.

Resolution 23

THAT in accordance with the Companies Act 2006, the Company is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine, provided that:

- i. the maximum number of Ordinary Shares that may be purchased under this authority is 106,794,000;
- ii. the minimum price which may be paid for each Ordinary Share is 10 pence (exclusive of all expenses);
- iii. the maximum price which may be paid for each Ordinary Share is the higher of the amount equal to 105 per cent of the average of the middle market prices shown in the quotations for the Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased and the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulations 2003 (in each case exclusive of all expenses); and
- iv. the authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2014 save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry, where the Company may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

All previous unutilised authorities for the Company to make market purchases of Ordinary Shares are revoked, except in relation to the purchase of Ordinary Shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed.

Resolution 24

THAT a general meeting of the Company other than an AGM of the Company may be called on not less than 14 clear days' notice.

Registered Office:
PO Box 244
Upton Road
Bristol BS99 7UJ
Registered in England and Wales No: 3236483

By order of the Board
John M Downing
Company Secretary

7 December 2012

Notes

1. Only holders of Ordinary Shares are entitled to attend and vote at this AGM. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote instead of him/her. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by him/her. A proxy need not be a member of the Company.

You may appoint your proxy electronically at www.sharevote.co.uk. You will need the Voting I.D., Task I.D. and Shareholder Reference Number, which together make up your personal voting reference number printed on the front of the proxy form enclosed with this notice. Alternatively, if you have already registered with Equiniti's online portfolio service, Shareview, you can submit your proxy form at www.shareview.co.uk (click on "Company Meetings"). For further information, see the instructions printed on the proxy form.

As an alternative to appointing your proxy electronically a proxy form is enclosed with this notice and instructions for its completion are shown on the form. Proxy forms and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority need to be deposited with the Company's registrars, Equiniti Limited, not less than 48 hours before the scheduled start of the AGM or any adjournment thereof.

Completion of a proxy form, either in electronic or paper format, does not preclude a member attending and voting in person at the AGM. A vote withheld option is provided on the proxy form to enable you to instruct your proxy not to vote on any particular resolution. It should, however, be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

A member must inform the Company's registrars in writing of any termination of the authority of a proxy.

A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of members in relation to the appointment of proxies in this notice do not apply to a Nominated Person. The rights of members in relation to the appointment of proxies can only be exercised by registered members of the Company. Nominated Persons are reminded that they should contact the registered holder of their Ordinary Shares (and not the Company) on matters relating to their investments in the Company.

2. Under section 319A of the Companies Act 2006, a member attending the meeting has the right to ask questions in relation to the business of the meeting. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
3. As at 6 December 2012 (being the last business day prior to publication of this notice) the Company's issued share capital consisted of 1,067,942,881 Ordinary Shares carrying one vote each (including 81,623,132 Ordinary Shares held by the Company in treasury which do not carry any voting rights). The total number of exercisable voting rights in the Company as at 6 December 2012 was, therefore, 986,319,749.
4. The following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excluded), will also be available for inspection at the place of the AGM from 1.30pm on the day of the AGM until the conclusion of the AGM:
 - i. copies of the service contracts of the Executive Directors under which they are employed by the Company and the letters of appointment (and other related documents) of the Non-Executive Directors;
 - ii. the Articles of Association of the Company;
 - iii. copies of the rules of the existing International Sharesave Plan, the Share Matching Scheme, the Bonus Match Plan, the Long Term Incentive Plan, the Long Term Bonus Incentive Plan and the deeds of the Employee Benefit Trusts; and
 - iv. copies of the rules of the proposed new Imperial Tobacco Group Share Matching Scheme, Imperial Tobacco Group Long Term Incentive Plan and Imperial Tobacco Group International Sharesave Plan.

From the date of this Notice until the conclusion of the AGM, copies of the rules of the existing International Sharesave Plan, the Share Matching Scheme, the Bonus Match Plan, the Long Term Incentive Plan, the Long Term Bonus Incentive Plan and the deeds of the Employee Benefit Trusts and copies of the rules of the proposed new Imperial Tobacco Group Share Matching Scheme, Imperial Tobacco Group Long Term Incentive Plan and Imperial Tobacco Group International Sharesave Plan will be available for inspection at the Registered Office of the Company and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD.

5. The Company specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 28 January 2013 shall be entitled to attend and/or vote at the aforesaid AGM (and any adjournment thereof) in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00pm on 28 January 2013 shall be disregarded in determining the rights of any person to attend or vote at the AGM (and any adjournment thereof).

6. Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Company's AGM to be held on 30 January 2013 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or relates to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. In accordance with the Company's established practice, all resolutions will be taken on a poll so as to accurately record the decision of all members based on their shareholding interests in the Company.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if more than one, they do not do so in relation to the same Ordinary Shares.
9. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM or any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006 and it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on its website.
10. A copy of this notice and other information required by section 311A of the Companies Act 2006 can be found on the Company's website (www.imperial-tobacco.com).
11. You may not use any electronic address provided either in this notice or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
12. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 18 December 2012, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

EXPLANATORY NOTES

Report and Accounts (Resolution 1)

The Directors of the Company must present the Company's audited accounts and reports to the AGM.

Directors' Remuneration Report (Resolution 2)

In line with legislation, this vote will be advisory and in respect of the overall remuneration package. The vote will not be specific to individual levels of remuneration. You can find the Directors' Remuneration Report on pages 77 to 93 of the 2012 Annual Report and Accounts which is available on the Company's website www.imperial-tobacco.com.

Declaration of a dividend (Resolution 3)

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 73.9 pence per Ordinary Share is recommended by the Directors for payment to shareholders who are on the register at the close of business on 18 January 2013. If approved, the date of payment of the final dividend will be 18 February 2013. An interim dividend of 31.7 pence per Ordinary Share was paid on 17 August 2012.

Election and re-election of Directors (Resolutions 4 to 14)

The Company's Articles of Association require that all Directors retire from office at each AGM and that those wishing to serve again shall submit themselves for election or re-election by the shareholders. Brief biographies of all the Directors appear on pages 60 to 62 of the 2012 Annual Report and Accounts and appear on the Company's website at www.imperial-tobacco.com. Having considered the performance of and contribution made by each of the Directors standing for election or re-election, the Board is satisfied that the performance of each Director continues to be effective and to demonstrate commitment to the role and as such recommends their election or re-election.

Reappointment and remuneration of Auditor (Resolutions 15 and 16)

Resolutions 15 and 16 propose the reappointment of PricewaterhouseCoopers LLP as Auditor of the Company and authorise the Directors to set their remuneration.

Authority to make donations to political organisations and to incur political expenditure (Resolution 17)

Part 14 of the Companies Act 2006, amongst other things, prohibits the Company and its subsidiaries from making donations to an EU political party or other EU political organisation or to an independent election candidate in the EU of more than £5,000 in any 12 month period unless they have been authorised to make donations by the Company's shareholders.

The Companies Act 2006 defines political organisations widely. It includes organisations which carry on activities which are capable of being reasonably regarded as intended to affect public support for a political party or an independent election candidate in any EU Member State or to influence voters in relation to any referendum in any EU Member State. As a result, it is possible that the definition may include bodies, such as those concerned with policy review and law reform or with the representation of the business community or sections of it, which the Company and/or its subsidiaries may see benefit in supporting.

Accordingly, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the Companies Act 2006 through the undertaking of routine activities, which would not normally be considered to result in the making of political donations and political expenditure being incurred. The resolutions authorise the Company and its subsidiaries to:

- i. make political donations to political parties, political organisations other than political parties, or independent election candidates, not exceeding £100,000 in total; and
- ii. incur political expenditure up to an aggregate amount not exceeding £100,000,

in the period commencing on the date of the resolution and ending at the conclusion of the AGM of the Company held in 2014 or, if earlier, the close of business on 31 March 2014.

Neither the Company nor any of its subsidiaries has any intention of making political donations nor incurring any political expenditure under the terms of this resolution.

For the purpose of this resolution the terms "political donations", "political parties", "independent election candidates", "political organisations" and "political expenditure" have the meanings set out in sections 363 to 365 of the Companies Act 2006.

Directors' authority to allot securities (Resolution 18)

The Directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by shareholders. The authority granted at the last AGM to allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares is due to expire at the conclusion of this year's AGM. Accordingly, this resolution seeks to grant a new authority under section 551 of the Companies Act 2006 to authorise the Directors to allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares and will expire at the conclusion of the next AGM of the Company in 2014 or, if earlier, the close of business on 31 March 2014.

If passed Resolution 18 would give the Directors authority to allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares up to an aggregate nominal value of £32,800,000 representing approximately one third (33.33 per cent) of the Company's existing issued share capital (excluding Ordinary Shares held in treasury) and calculated as at 6 December 2012 (being the latest practicable date prior to publication of this notice).

There is no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. If the Directors do exercise this authority, the Directors intend to follow best practices as regards its use

(including as regards the Directors standing for re-election in certain cases), as recommended by the ABI. As at 6 December 2012, the Company held 81,623,132 Ordinary Shares in treasury, which represent approximately 7.6 per cent of the total ordinary share capital in issue (excluding Ordinary Shares held in treasury) as at 6 December 2012. The Directors intend to renew this authority annually.

Employee Share Plans (Resolutions 19 to 21)

The Company's current employee share plans will expire in 2015. Following a full review and consultation of its remuneration policies, the Remuneration Committee is proposing certain amendments for the new Share Matching Scheme (the SMS) and Long Term Incentive Plan (the LTIP), specifically around the performance criteria, to enhance their support of the Group's sales growth strategy. Whilst the terms of the new employee share plans will remain broadly the same as those of the existing plans they will replace, certain amendments to their operation are proposed as set out below and the Company is seeking shareholder authority at its forthcoming AGM to renew the employee share plans for the next ten years.

Share Matching Scheme (Resolution 19)

At present all of an award granted under the existing SMS to an Executive Director vests dependent on the achievement of a criterion related to the Company's earnings per share (EPS). It is proposed that a similar EPS criterion should be retained for the new SMS in respect of one half of an award and that a target based on the Company's net revenue should be adopted for the other half of an award.

Certain other minor amendments to the existing SMS are also proposed to assist with the administration and operation of the new SMS.

A summary of the principal terms and vesting criteria of the new SMS are set out in Appendix 1 to this notice.

There will continue to be no re-testing of any of the performance criteria if they are not satisfied at the end of the performance period and each performance condition will be considered separately.

Long Term Incentive Plan (Resolution 20)

At present awards vest under the existing LTIP dependent on total shareholder return (TSR) and EPS performance criteria. It is proposed that the current TSR elements, split equally between the FTSE 100 and twelve alcohol and tobacco sector companies, be replaced for the new LTIP with a single element (50% of award) based on a comparator group of over 40 companies across a broadly defined consumer goods sector. The current EPS performance criterion will be replaced by a revised EPS criterion (25% of award) and a net revenue growth criterion (25% of award).

Certain other minor amendments to the existing LTIP are also proposed to assist with the administration and operation of the new LTIP.

A summary of the principal terms and vesting criteria of the new LTIP is set out in Appendix 2 to this notice.

There will continue to be no re-testing of any of the performance criteria if they are not satisfied at the end of the performance period and each performance condition will be considered separately.

International Sharesave Plan (Resolution 21)

Certain minor amendments are proposed to assist with the administration and operation of the new International Sharesave Plan (the Sharesave).

A summary of the principal terms of the new Sharesave is set out in Appendix 3 to this notice.

Disapplication of pre-emption rights (Resolution 22)

Under section 561(1) of the Companies Act 2006, if the Directors wish to allot any shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of Ordinary Shares for cash without a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. Resolution 22 asks shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority will be limited to the issue of Ordinary Shares for cash up to a maximum aggregate nominal value of £5,330,000 (which includes the sale on a non pre-emptive basis of any Ordinary Shares held in treasury for cash), which is equivalent to approximately 5 per cent of the Company's issued ordinary share capital as at 6 December 2012 (being the latest practicable date prior to publication of this notice). The Company undertakes to restrict its use of this authority to a maximum of 7.5 per cent of the Company's issued ordinary share capital in any rolling three year period. Shareholders will note that this resolution also relates to Ordinary Shares held in treasury and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue or other pre-emptive offer so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. If given, the authority will expire at the conclusion of the next AGM of the Company in 2014 or, if earlier, the close of business on 31 March 2014. The Directors intend to renew this authority annually.

Authority to purchase own shares (Resolution 23)

In certain circumstances it may be advantageous for the Company to purchase its own Ordinary Shares and Resolution 23 seeks the authority from shareholders to continue to do so. Authority was given to the Company to make market purchases up to an aggregate of 106,794,000 of its Ordinary Shares at the AGM held on 1 February 2012 (being equal to approximately 10 per cent of

the Company's issued ordinary share capital as at 6 December 2011, the latest practicable date prior to the publication of the notice for the AGM held on 1 February 2012). This authority is due to expire at the end of the AGM and it is proposed that the Company be authorised to continue to make market purchases up to an aggregate of approximately 10 per cent of the Company's issued ordinary share capital as further described below. The Directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and will be likely to promote the success of the Company for the benefit of its members as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority. Save to the extent purchased pursuant to the Companies Act 2006, any Ordinary Shares purchased in this way will usually be cancelled and the number of Ordinary Shares in issue will be reduced accordingly. If the Directors consider it appropriate to do so, the Company may hold in treasury any of its own Ordinary Shares that it purchases pursuant to the Companies Act 2006 and the authority conferred by this resolution, as an alternative to cancelling them. This gives the Company the ability to reissue Ordinary Shares held in treasury quickly and cost effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with Ordinary Shares held in treasury. Ordinary Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under employees' share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings, in respect of the Ordinary Shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the Ordinary Shares held in treasury.

The proposed authority would be limited to purchases of up to 106,794,000 Ordinary Shares which is equal to approximately 10 per cent of the Company's issued ordinary share capital as at 6 December 2012 (being the latest practicable date prior to publication of this notice). The resolution specifies the maximum and minimum prices at which the Company's Ordinary Shares may be bought.

The minimum price which may be paid for each Ordinary Share is 10 pence (exclusive of all expenses). The maximum price which may be paid for each Ordinary Share is the higher of the amount equal to 105 per cent of the average of the middle market prices shown in the quotations for the Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased and the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulations 2003 (in each case exclusive of all expenses).

For information, as at 6 December 2012 (being the latest practicable date prior to publication of this notice) there were outstanding 5,236,866 awards and options to subscribe for Ordinary Shares, representing 0.53 per cent of the Company's issued ordinary share capital (excluding Ordinary Shares held in treasury). If the new authority and the existing authority were exercised in full, the awards and options would represent 0.66 per cent of the Company's issued ordinary share capital (excluding Ordinary Shares held in treasury).

Resolution 23 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next AGM of the Company in 2014 or, if earlier, the close of business on 31 March 2014.

The Directors intend to seek renewal of this power at subsequent AGMs.

Authority to hold general meetings (other than annual general meetings) on 14 clear days' notice (Resolution 24)

The notice period required by the Companies Act 2006 for general meetings of the Company is 21 days unless shareholders approve a shorter period which cannot, however, be less than 14 clear days. AGMs must always be held on at least 21 clear days' notice. At the AGM held on 1 February 2012, shareholders authorised the calling of general meetings other than an AGM on not less than 14 clear days' notice, and it is proposed that this authority be renewed. The authority granted by Resolution 24, if passed, will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting. Resolution 24 seeks the approval of shareholders to renew the authority to be able to call general meetings (other than an AGM) on 14 clear days' notice. The flexibility offered by Resolution 24 will only be used where, taking into account the circumstances, the Directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole.

APPENDIX 1

PRINCIPAL TERMS OF THE IMPERIAL TOBACCO GROUP SHARE MATCHING SCHEME (THE SMS)

1. Eligibility and participation

All employees of the Company or any of its subsidiaries are eligible to participate in the SMS. Employees invited to participate may do so by acquiring Ordinary Shares in the Company as “Qualifying Shares”. An employee’s Qualifying Shares (or the share certificate(s) representing those Qualifying Shares) must either be deposited with the trustee (the Trustee) of the Imperial Tobacco Group PLC 2001 Employee Benefit Trust or the Imperial Tobacco Group PLC Employee and Executive Benefit Trust, as designated by the Company (in either case, the Trust) to hold as the Employee’s nominee or held by the employee in a CREST account approved by the Trustee until the related Matched Award (see below) has vested.

No invitation can be made to an employee when that employee is prohibited from dealing in Ordinary Shares by the Model Code of the Financial Services Authority.

Benefits received by employees under the SMS are not pensionable.

The SMS will be administered by the Board or the Remuneration Committee (the Committee) whose decision on any matter related to the SMS will be final.

2. Grant of Matched Awards

An employee who acquires Qualifying Shares (a Participant) will be granted a right (a Matched Award) to acquire further Ordinary Shares (the Matching Shares) in a ratio determined by the Committee at the date of grant.

3. Performance Conditions

The vesting of a Matched Award may be subject to the satisfaction of performance condition(s) which will be determined by the Committee at the date of grant. The Committee intends that initial Matched Awards granted to Executive Directors of the Company will vest subject to the satisfaction of the performance criteria set out below. For both the earnings per share (EPS) and Net Revenue targets, the revised policy will use growth in absolute terms rather than relative to inflation. As an international Group with the majority of sales coming from outside the UK, the use of performance indicators based on UK inflation has become less relevant as they do not reflect the Group’s footprint and, therefore, inflation relevant to the Group as a whole.

i Performance Criterion – Net Revenue Growth Element

Fifty per cent of Matched Awards granted to Executive Directors will vest subject to a net revenue growth element. Vesting of Matched Awards on this element would occur as per the vesting schedule below.

Compound Annual Growth in Net Revenue	Shares vesting (as a percentage of element)
Less than 3% per annum	Nil
3% per annum	25%
3% to 7% per annum	Between 25% and 100% (pro rata)
7% per annum or higher	100%

In order to ensure that Net Revenue Growth is not overly incentivised at the expense of profitability, an EPS underpin will apply in respect of the Net Revenue Growth elements for the Executive Directors. This will require that a minimum level of EPS growth will have to be achieved in order for any awards under the Net Revenue Growth element to vest.

ii Performance Criterion – EPS Element

Fifty per cent of Matched Awards granted to Executive Directors will vest subject to an EPS element. Vesting of Matched Awards on this element would occur as per the vesting schedule below.

Compound annual EPS growth	Shares vesting (as a percentage of element)
Less than 5% per annum	Nil
5% per annum	25%
5% to 10% per annum	Between 25% and 100% (pro rata)
10% per annum or higher	100%

In order to ensure that EPS growth is not achieved without due regard to the capital required to achieve such growth, an underpin based on Return on Invested Capital (ROIC) will apply in respect of the EPS elements for the Executive Directors. ROIC is a measure of profitability versus the Company’s total utilised capital including goodwill, and so is particularly useful to incentivise an appropriate approach towards acquisitions. The ROIC underpin will require that a minimum level of ROIC will have to be achieved in order for any awards under the EPS growth element to vest.

4. Vesting and lapse of Matched Awards

Subject to the satisfaction of any applicable performance criteria, a Matched Award will vest on the date determined by the Board at the time the Matched Award was granted (normally three years after the date of grant).

A Matched Award may vest early in the event of a change of control of the Company (including pursuant to a reconstruction, a compromise or arrangement under Section 899 of the Companies Act 2006 or the voluntary winding up of the Company). The number of Matched Shares subject to such a Matched Award will be reduced based on the proportion of the performance period that had expired on the date of the change of control and the extent to which the performance conditions were satisfied

on the date of the change of control. Alternatively, the Committee may decide that: (a) Matched Awards will not vest in such circumstances and instead will continue unaffected (save that they may be exchanged for equivalent awards over shares in the acquiring company); or (b) a cash payment will be made to the Participant equal to the value the Participant would have received had their Matched Awards vested in shares (less any necessary deductions for tax and social security contributions).

If a Participant ceases to be an employee before the expiry of the performance period to which a Matched Award is subject by reason of death, injury, ill-health, disability, redundancy, or the transfer of the Participant's employing company or business out of the Group, or for any other reason determined by the Committee the Matched Shares held by that Participant may, at the discretion of the Committee, vest on the date the Participant ceased to be an employee or on the original vesting date. If the Committee determines to vest the Matched Award early the number of Matched Shares subject to the Matched Award will be reduced based on the proportion of the original performance period that the Participant was employed by the Group and the extent to which the performance conditions were satisfied on the date the Participant ceased employment. If a Participant ceases to be employed in any other circumstance, the Participant's Matched Award(s) will lapse.

On vesting of a Matched Award, the vested Matching Shares and the Participant's Qualifying Shares will be transferred to the Participant at no cost to the Participant.

A Matched Award will cease to be capable of vesting and will lapse if the related Qualifying Shares are assigned, charged or otherwise disposed of before the Matched Award vests.

5. Rights attaching to Ordinary Shares

Qualifying Shares and Matching Shares acquired under the SMS will rank equally in all respects with Ordinary Shares then in issue. The Committee may determine that the number of Matched Shares to which a Participant's Matched Award relates will increase to take account of dividends paid on those vested Matched Shares from the date of grant until the date of vesting (and assuming the re-investment of dividends in Ordinary Shares on the relevant ex-dividend dates). Alternatively, the Committee may determine that the Participant will receive the cash equivalent of the additional Matching Shares.

Participants will be entitled to vote and receive dividends on their Qualifying Shares while they are subject to the SMS. A Participant will have no rights in relation to Matching Shares until they vest.

6. Limits on Ordinary Shares available

No Ordinary Shares will be available on any date under the SMS if, as a result, the total number of Ordinary Shares acquired or which may be acquired pursuant to grants and appropriations made:

- i within the ten years or the five years preceding that date under the SMS and all other employees' share schemes established by the Company would exceed 10 per cent or 5 per cent respectively of the Company's issued ordinary share capital on the date of grant; or
- ii within the ten years preceding that date under the SMS and any other discretionary employees' share scheme established by the Company would exceed 5 per cent of the Company's issued ordinary share capital on the date of grant.

7. Adjustment of Awards

If there is any capital reorganisation of the Company (including a capitalisation or rights issue) Matching Awards outstanding under the SMS may be adjusted in a manner determined as fair and reasonable by the Committee.

8. Clawback

The Committee may, at its absolute discretion, determine at any time before the vesting of a Matched Award to reduce the number of Matched Shares to which a Matched Award relates, cancel a Matched Award, or impose further conditions on a Matched Award if it forms the view that:

- i the Company materially misstated its financial results for whatever reason;
- ii there are circumstances where a Participant had by an act or omission contributed to serious reputational damage to the Group and such circumstances arose in the period from the grant of a Matched Award until it vests; or
- iii there are circumstances where a Participant engaged in serious fraud or misconduct and such circumstances arose in the period from the grant of a Matched Award until it vests.

9. Transfer overseas

If a Participant transfers from one jurisdiction to another and continues to hold an office or employment with a Group subsidiary company and will either:

- i become subject to tax in the country to which the Participant is transferred so that the Participant will suffer a tax disadvantage on the vesting of a Matched Award following the transfer; or
- ii become subject to restrictions on acquiring Matched Shares on the vesting of a Matched Award or dealing in the shares that may be acquired on the vesting of a Matched Award because of the securities laws or exchange control laws of the country to which the Participant is transferred,

the Committee may allow any Matched Award held by that Participant to vest, except that if the Committee so determines, the number of Matched Shares subject to such a Matched Award will be reduced based on the proportion of the original performance period that the Participant was employed by the Group and the extent to which the performance conditions were satisfied on the date the Participant transferred.

10. Satisfaction of Matched Awards in cash

The Committee may, following the vesting of a Matched Award, make a cash payment equal to the market value of the Matched Shares in respect of which the Matched Award had vested subject to any necessary deductions for tax and social security contributions, in lieu of the Participant's rights to receive Matched Shares.

11. Administration and amendment

The SMS will be administered by the Committee whose decision on any matter related to the SMS will be final.

The Committee may amend the rules of the SMS at any time provided that no amendment can be made to the provisions governing: (a) eligibility; (b) individual limits on participation; (c) overall limits on the issue of Ordinary Shares; (d) the basis for determining a Participant's entitlement to, and the terms of, Matched Shares, provided under the SMS; (e) the adjustments that may be made in the event of any variation of capital; and (f) the amendment provisions, to the advantage of Participants without the prior approval of shareholders in general meeting. However, there is an exception for minor amendments to benefit the administration of the SMS, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for any member of the Group.

12. Operation of the SMS in other jurisdictions

The Company may adopt additional sections of the SMS or establish further schemes based on the SMS with such modifications as are necessary to comply with or take advantage of local tax, exchange control or securities laws in overseas territories, provided that any Ordinary Shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the main SMS.

13. Termination of the SMS

The SMS will terminate on 30 January 2023 or earlier by resolution of the Committee. Termination of the SMS will not affect the outstanding rights of Participants. No further Matched Awards will be granted following termination.

APPENDIX 2

PRINCIPAL TERMS OF THE IMPERIAL TOBACCO GROUP LONG TERM INCENTIVE PLAN (THE LTIP)

1. Eligibility and participation

All employees of the Company and any of its subsidiaries designated by the Remuneration Committee (the Committee) who are required to devote substantially the whole of their working time to their duties are eligible to participate in the LTIP. The Committee currently intends to limit participation to Executive Directors and certain senior managers.

The LTIP will be administered by the Board or the Committee whose decision on any matter related to the LTIP will be final.

2. Grant of Awards

The Committee will grant awards (the Awards) under the LTIP over Ordinary Shares in the Company to selected employees (the Participants).

Awards may be granted in the following forms:

- i a conditional right to acquire Ordinary Shares at no cost to the Participant (a Conditional Award); and
- ii an option to acquire Ordinary Shares at no cost to the Participant (a Nil-Cost Option).

On the vesting of awards which have been granted as Conditional Share Awards, Participants will be granted an option (an Option) over the number of Ordinary Shares in respect of which the Award has vested.

No employee can be granted an Award when that employee is prohibited from dealing in Ordinary Shares by the Model Code of the Financial Services Authority.

Neither an Award nor any interest in it can be assigned, charged or transferred. Benefits received by a Participant under the LTIP are not pensionable.

3. Individual limit on participation

The Committee will set annual limits on the value of Ordinary Shares that may be put under an Award to any individual. As at the date of its first operation the following limits will apply:

	Percentage of Base Salary
Chief Executive	200
Finance Director	150
Corporate Affairs Director	125

4. Performance Conditions

The vesting of Awards will be subject to the achievement of performance condition(s) set by the Committee on the grant of Awards as appropriate. The Committee will regularly review the performance conditions for future Awards to ensure that they are appropriate for the Company and the prevailing market. The conditions may be varied in certain circumstances following the grant of an Award so that they may achieve their original purpose.

The Committee intends that initial Awards granted will vest subject to the satisfaction of the performance criteria set out below. For both the EPS and net revenue targets, the revised policy will use growth in absolute terms rather than relative to

inflation. As an international Group with the majority of sales coming from outside the UK, the use of performance indicators based on UK inflation has become less relevant as they do not reflect the Group's footprint and, therefore, inflation relevant to the Group as a whole.

i Performance Criterion – Net Revenue Growth Element

Twenty five per cent of Awards will vest subject to a net revenue growth element. Vesting of Awards on this element would occur as per the vesting schedule below.

Compound Annual Growth in Net Revenue	Shares vesting (as a percentage of element)
Less than 3% per annum	Nil
3% per annum	25%
3% to 7% per annum	Between 25% and 100% (pro rata)
7% per annum or higher	100%

In order to ensure that net revenue growth is not overly incentivised at the expense of profitability, an EPS underpin will apply in respect of the net revenue growth elements for the Executive Directors. This will require that a minimum level of EPS growth will have to be achieved in order for any awards under the net revenue growth element to vest.

ii Performance Criterion – EPS Element

Twenty five per cent of Awards will vest subject to an EPS element. Vesting of Awards on this element would occur as per the vesting schedule below.

Compound annual EPS growth	Shares vesting (as a percentage of element)
Less than 5% per annum	Nil
5% per annum	25%
5% to 10% per annum	Between 25% and 100% (pro rata)
10% per annum or higher	100%

In order to ensure that EPS growth is not achieved without due regard to the capital required to achieve such growth, an underpin based on Return on Invested Capital (ROIC) will apply in respect of the EPS elements for the Executive Directors. ROIC is a measure of profitability versus the Company's total utilised capital including goodwill, and so is particularly useful to incentivise an appropriate approach towards acquisitions. The ROIC underpin will require that a minimum level of ROIC will have to be achieved in order for any awards under the EPS growth element to vest.

iii Performance Criterion – Total Shareholder Return (TSR) Element

Fifty per cent of Awards will vest subject to a TSR element. The performance criterion for the TSR element will be based on a single comparator group including over 40 companies across a broadly-defined consumer goods sector.

Vesting of Awards on this element would occur as per the vesting schedule below.

Relative TSR Performance	Shares vesting (as a percentage of number relating to relative TSR performance condition)
Below median of peer group	Nil
At median of peer group	25%
Between median and upper quartile	Between 25% and 100% (pro rata)
Upper quartile	100%

5. Vesting and lapse of Awards

An Award may vest early in the event of a change of control of the Company (including pursuant to a reconstruction, a compromise or arrangement under Section 899 of the Companies Act 2006 or the voluntary winding up of the Company). The number of Ordinary Shares subject to such an Award will be reduced based on the proportion of the performance period that had expired on the date of the change of control and the extent to which the performance conditions were satisfied on the date of the change of control. Alternatively, the Committee may decide that: (a) an Award will not vest in such circumstances and instead will continue unaffected (save that they may be exchanged for equivalent awards over shares in the acquiring company); or (b) a cash payment is made to the Participant equal to the value the Participant would have received had their Award vested in shares (less any necessary deductions for tax and social security contributions).

If a Participant ceases to be an employee before the expiry of the performance period to which an Award is subject by reason of death, injury, ill-health, disability, redundancy, or the transfer of the Participant's employing company or business out of the Group, or for any other reason determined by the Committee the Awards held by that Participant may, at the discretion of the Committee, vest on the date the Participant ceased to be an employee or on the original vesting date. If the Committee determines to vest the Award early the number of Ordinary Shares subject to the Award will be reduced based on the proportion of the original performance period that the Participant was employed by the Group and the extent to which the performance conditions were satisfied on the date the Participant ceased employment.

6. Rights attaching to Ordinary Shares

Ordinary Shares acquired under the LTIP will rank equally in all respects with Ordinary Shares then in issue. The Committee may determine that the number of Ordinary Shares to which a Participant's Award relates will increase to take account of dividends paid on those vested Ordinary Shares from the date of grant until the date of vesting (and assuming the re-investment of dividends in Ordinary Shares on the relevant ex-dividend dates). Alternatively, the Committee may determine that the Participant will receive the cash equivalent of the additional Ordinary Shares.

7. Limits on Ordinary Shares available

No Award will be granted on any date under the LTIP if, as a result, the total number of Ordinary Shares acquired or which may be acquired pursuant to grants and appropriations made:

- i within the ten years or the five years preceding that date under the LTIP and all other employees' share schemes established by the Company would exceed 10 per cent or 5 per cent respectively of the issued ordinary share capital of the Company on the date of grant; or
- ii within the ten years preceding that date under the LTIP and any other discretionary employees' share scheme established by the Company would exceed 5 per cent of the Company's issued ordinary share capital on the date of grant.

8. Adjustment of Awards or Options

If there is any capital reorganisation of the Company (including a capitalisation or rights issue) Awards outstanding under the LTIP may be adjusted in a manner determined as fair and reasonable by the Committee.

9. Clawback

The Committee may, at its absolute discretion, determine at any time before the vesting of an Award to reduce the number of Ordinary Shares to which an Award relates, cancel an Award, or impose further conditions on an Award, if it forms the view that:

- i the Company materially misstated its financial results for whatever reason;
- ii there are circumstances where a Participant had by an act or omission contributed to serious reputational damage to the Group and such circumstances arose in the period from the grant of an Award until it vests; or
- iii there are circumstances where a Participant engaged in serious fraud or misconduct and such circumstances arose in the period from the grant of an Award until it vests.

10. Transfer overseas

If a Participant transfers from one jurisdiction to another and continues to hold an office or employment with a company which is a member of the Group and will either:

- i become subject to tax in the country to which the Participant is transferred so that the Participant will suffer a tax disadvantage on the vesting of an Award following the transfer; or
- ii become subject to restrictions on acquiring Ordinary Shares on the vesting of an Award or dealing in the Ordinary Shares that may be acquired on the vesting of an Award because of the securities laws or exchange control laws of the country to which the Participant is transferred,

the Committee may, at its discretion, allow any Award held by that Participant to vest, except that if the Committee so determines, the number of Ordinary Shares subject to such an Award will be reduced based on the proportion of the original performance period that the Participant was employed by the Group and the extent to which the performance conditions were satisfied on the date the Participant ceased employment.

11. Satisfaction of Awards in cash

The Committee may, following the vesting of an Award, make a cash payment equal to the market value of the Ordinary Shares in respect of which the Award had vested subject to any necessary deductions for tax and social security contributions, in lieu of the Participant's rights to receive Ordinary Shares.

12. Administration and amendment

The LTIP will be administered by the Committee whose decision on any matter related to the LTIP will be final.

The Committee may amend the rules of the LTIP at any time provided that no amendment can be made to the provisions governing: (a) eligibility; (b) individual limits on participation; (c) overall limits on the issue of Ordinary Shares; (d) the basis for determining a Participant's entitlement to, and the terms of, Ordinary Shares, provided under the LTIP; (e) the adjustments that may be made in the event of any variation of capital; and (f) the amendment provisions, to the advantage of Participants without the prior approval of shareholders in general meeting. However, there is an exception for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for any member of the Group.

13. Operation of the LTIP in other jurisdictions

The Company may adopt additional sections of the LTIP or establish further schemes based on the LTIP with such modifications as are necessary to comply with or take advantage of local tax, exchange control or securities laws in overseas territories, provided that any Ordinary Shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the main scheme.

14. Termination of the LTIP

The LTIP will terminate on 30 January 2023 or earlier by resolution of the Committee. Termination of the LTIP will not affect the outstanding rights of Participants. No further Awards will be granted following termination.

APPENDIX 3

PRINCIPAL TERMS OF THE IMPERIAL TOBACCO GROUP INTERNATIONAL SHARESAVE PLAN (THE SHARESAVE)

1. Eligibility

All employees of the Company and any of its subsidiaries, and those Directors who devote a minimum of 25 hours per week to their duties, who have the requisite period of continuous employment determined by the Board, but not exceeding five years, are entitled to participate. The Board has discretion to include other employees.

2. Grant of Options

Invitations to apply for options may be made by the Board within 28 days of the announcement of the Company's annual or half-yearly results. Options may be granted within 60 days of the date by reference to which the exercise price is determined.

Options may be satisfied by the issue of new Ordinary Shares or by the transfer of existing Ordinary Shares, either from treasury or otherwise.

If the Board resolves to operate the Sharesave, all eligible employees will be invited to apply for options. The Board may decide, prior to making invitations, to offer the Sharesave to eligible employees in certain jurisdictions but not in others.

The number of Ordinary Shares subject to an option will be determined by the level of contribution an eligible employee agrees to make to his/her savings contract. The number of Ordinary Shares under option may subsequently be adjusted with the approval of the Company's Auditors in the same manner and circumstances which would result in the exercise price being adjusted as set out in paragraph 3 below.

Options will not be assignable or transferable.

3. Exercise price

The exercise price of an option will be determined by the Board, but will not be less than the higher of:

- i Eighty per cent of the middle market quotation for dealings in Ordinary Shares, as derived from the Official List on the day before the invitation date; and
- ii in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

Where an option is granted at any time at which there are no dealings, the exercise price will not be less than 80 per cent of such sum as is agreed by the Board to be the market value of an Ordinary Share.

The exercise price of an option may be adjusted (with confirmation in writing from the Company's Auditors that, in their opinion, the adjustment is fair and reasonable) to take account of any capitalisation or rights issue or the sub-division, consolidation or reduction of or any other variation in the Company's ordinary share capital.

4. Savings Contract

All options must be linked to a savings contract entered into by each participant with the savings institution nominated by the Board. Currently, Participants must save between £5 (or its local currency equivalent) and £250 (or its local currency equivalent) per month, such sums will, where possible, be deducted from the relevant Participant's pay.

Options will normally be granted for three years (in the UK three or five years). The duration of an option is determined at the date of grant. Options may be exercised with an amount not exceeding the available proceeds of the savings contract. However, Participants (other than Irish and UK Participants) in the Sharesave may, at the Board's invitation, make additional contributions at the end of the savings contract if their savings plus interest are insufficient to pay for the Ordinary Shares subject to options granted to them, due to currency or interest rate fluctuations.

Participants may terminate a savings contract at any time (although their option may then lapse) and are not obliged to exercise an option when the contract matures at the relevant bonus date. All savings contracts of any Participants which are linked to options are aggregated for the purposes of the savings limit of £250 (or its local currency equivalent) per month. Arrangements for the earning of interest vary, but typically interest is at a variable rate.

5. Limitations

Currently, the Board intends to grant options over existing Ordinary Shares purchased in the market by the Trustees of the Company's Employee Benefit Trusts. No option will be granted on any date if, as a result, the total number of Ordinary Shares acquired or which may be acquired pursuant to grants and appropriations made within the ten years or the five years preceding that date under the Sharesave and all other share schemes established by the Company would exceed 10 per cent or 5 per cent respectively of the Company's issued ordinary share capital on the date of grant.

6. Exercise of options

In normal circumstances options may only be exercised during the period of six months commencing on the maturity of the savings contract. An option will be exercisable immediately on the death of a Participant or on the Participant ceasing to be an eligible employee by reason of injury, disability, redundancy, retirement on reaching the age of 60 or at such other age at which that employee is bound to retire in accordance with the terms of his or her contract of employment or for any other reason if the option has been held for at least three years. Options will also become exercisable on an employee attaining the age of 60 if the Participant continues in employment, on the sale or transfer out of the Group of any member of the Group, or any business or part of a business, to which the Participant's employment relates and on a change in control or voluntary winding up of the Company. Any option that becomes exercisable before the maturity date can only be exercised using money already saved plus a further six monthly payments and any interest payable on those savings.

On the maturity of a Participant's savings contract if, due to securities or exchange control laws in the country in which the Participant is resident at that time, it is not possible for that Participant to exercise his/her option, the Committee may, in lieu of the Participant's right to receive Ordinary Shares, make a cash payment equal to the "gain" that the Participant would have made on the exercise of his/her option (i.e. the difference between the total market value of the Ordinary Shares in respect of his/her option less the amount saved under the Participant's savings contract) subject to any necessary deductions for tax and social security contributions.

On a change in control of the Company options may, with the consent of the company acquiring control of the Company, be released in consideration of the grant of equivalent rights over the shares of the acquiring company or a company associated with it. Rights are equivalent if, broadly speaking, the aggregate market values of the Ordinary Shares under both the old and new options and the aggregate exercise price of each option are, on the date of exchange, equal.

7. Issue of Shares and other rights

Ordinary Shares allotted following the exercise of an option will rank *pari passu* with the then Ordinary Shares of the Company of the same class provided that they shall not be entitled to any distribution of other rights if the related record date falls prior to the date of exercise.

Benefits received by Participants under the Sharesave will not be pensionable.

8. "Phantom" Options

Under the terms of the Sharesave, instead of granting options to acquire Ordinary Shares, phantom or notional options may be granted which on exercise give a participant an entitlement to a cash sum equal to the difference between the market value of an Ordinary Share at the date of exercise and the notional exercise price multiplied by the number of Ordinary Shares over which such option may be exercised. The Participant is still required to enter into a savings contract as outlined in paragraph 4 above.

Phantom or notional options will generally be granted in those countries where it may not be possible to issue or transfer shares in the Company to local residents because of restrictions in the local securities legislations.

9. Amendments

The Rules of the Sharesave may be amended by the Board in any respect provided that:

- i no amendment may be made to the rules relating to eligibility, the limitations on the number of Ordinary Shares available under the Sharesave, a Participant's maximum entitlement or the basis for determining a Participant's entitlement under the Sharesave and its adjustment in the event of a variation in capital, to the advantage of Participants without the prior approval of shareholders in general meeting except for minor amendments to benefit the administration of the Sharesave, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and
- ii no amendment may be made which would alter to the disadvantage of a Participant any rights already acquired by him/her under the Sharesave without the prior approval of the majority of the affected Participants.

10. Sub-Plans

The Rules of the Sharesave will include UK and Irish sub-plans which will be capable of approval by the board of the Inland Revenue and the Irish Revenue Commissioners under the UK and Irish tax legislations respectively. The UK and Irish sub-plans will be submitted for approval by HM Revenue & Customs and the Irish Revenue Commissioners.

11. Termination

The Sharesave will terminate on 30 January 2023 or earlier by resolution of the Board or the Company in general meeting. Termination of the Sharesave will not affect the rights of existing Participants. No further options will be granted following termination.