

HOW WE MEASURE OUR PERFORMANCE

We use these key performance indicators and the metrics in the Operating Review to measure the progress we make in delivering our strategy. As our Next Generation Products business continues to grow, these measures will change to reflect our evolving strategic priorities.

TOBACCO & NGP NET REVENUE¹ (£BN)



PERFORMANCE

Tobacco & NGP net revenue was up 2.1 per cent on a constant currency basis and down 0.3 per cent at actual rates. Growth and Specialist Brands now account for 66.9 per cent of our revenue, up from 62.7 per cent last year.

DEFINITION

Tobacco net revenue comprises tobacco and Fontem Ventures revenue less duty and similar items, excluding peripheral products.

ADJUSTED EARNINGS PER SHARE¹ (PENCE)



PERFORMANCE

Adjusted earnings per share increased by 5 per cent on a constant currency basis. Reported earnings per share declined by 2.7 per cent.

DEFINITION

Adjusted earnings per share represents adjusted profit after tax attributable to the equity holders of the Company divided by the weighted average number of shares in issue during the period, excluding shares held to satisfy employee share plans and shares purchased by the Company and held as treasury shares.

GROWTH BRAND VOLUMES¹ (BN)



PERFORMANCE

We continued to focus on driving the performance of our Growth Brands, increasing volumes by 2.1 per cent and market share by 70 basis points.

DEFINITION

Volumes are measured on a stick equivalent basis to reflect combined cigarette and fine cut tobacco volumes.

TOBACCO & NGP OPERATING MARGIN (%)



PERFORMANCE

We have delivered consistently high operating margins despite increasing investment in the business. Excluding our NGP operations, our tobacco operating margin increased by 100 basis points.

DEFINITION

Tobacco & NGP operating margin is adjusted operating profit divided by tobacco and NGP net revenue expressed as a percentage.

1. KPIs used as bonus and LTIP performance criteria for Executive Directors. See Remuneration Report on page 56 for more information.

DIVIDEND PER SHARE (PENCE)



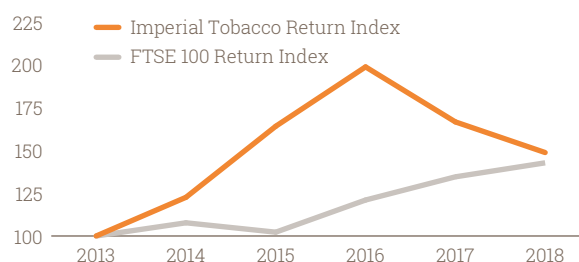
PERFORMANCE

Dividend per share increased by 10 per cent for the tenth consecutive year.

DEFINITION

Dividend per share represents the total annual dividends, being the sum of the paid interim dividend and the proposed final dividend for the financial year.

TOTAL SHAREHOLDER RETURN¹



PERFORMANCE

Over a five year period we have outperformed the FTSE 100 but underperformed by 13 per cent in 2018. With dividends reinvested, £100 invested in Imperial Brands in 2013 would now be worth £149 compared with £143 if invested in the FTSE Index.

DEFINITION

Total shareholder return is the total investment gain to shareholders resulting from the movement in the share price and assuming dividends are immediately reinvested in shares.

RETURN ON INVESTED CAPITAL (%)



PERFORMANCE

Return on invested capital remained strong, underlining our continued focus on capital discipline and our capital-light approach to NGP.

DEFINITION

Return on invested capital measures the effectiveness of capital allocation and is calculated by dividing adjusted net operating profit after tax by invested capital. Invested capital is adjusted total equity and reported net debt.

CASH CONVERSION RATE^{1*} (%)



PERFORMANCE

Strong cash generation and effective working capital management delivered cash conversion above 90 per cent for the fifth consecutive year.

DEFINITION

Cash conversion is calculated as cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.

* Cash conversion has been restated to exclude restructuring cash.