

HOW WE MEASURE OUR PERFORMANCE

We use key performance indicators and the supporting metrics in the Operating Review to measure the progress we make in delivering our strategy. These measures reflect our priorities and are used to monitor and drive business performance.

RETURN ON INVESTED CAPITAL (%)



PERFORMANCE

Return on invested capital increased to 14.3 per cent, underlining our continued focus on capital discipline.

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 reported equity adding back amortisation of intangibles and adjusting back to foreign exchange rates at the time of relevant acquisitions.

ADJUSTED EARNINGS PER SHARE¹ (PENCE)



PERFORMANCE

Adjusted earnings per share rose by 7 per cent but declined by 2.2 per cent on a constant currency basis.

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.

MAXIMISING SHAREHOLDER RETURNS

STRENGTHEN PORTFOLIO

GROWTH BRAND VOLUMES¹ (BN)



PERFORMANCE

We continued to focus on driving the performance of our Growth Brands, increasing volumes by 5.5 per cent and market share by 80 basis points.

DEFINITION

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

DEVELOP FOOTPRINT

TOBACCO NET REVENUE¹ (€BN)



PERFORMANCE

Tobacco net revenue declined 2.6 per cent on a constant currency basis and increased 8.2 per cent at actual rates. Sixty-three per cent of tobacco net revenue is now generated by our Growth and Specialist Brands, up on last year, reflecting our focus on quality growth.

DEFINITION

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

1. KPIs used as bonus and LTIP performance criteria for Executive Directors. See Remuneration Report on page 52 for more information.

DIVIDEND PER SHARE (PENCE)



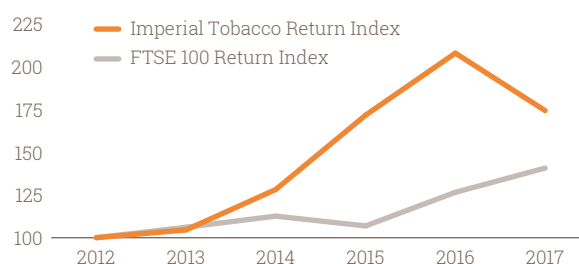
PERFORMANCE

Dividend per share increased by 10 per cent for the ninth 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 27 per cent in 2017. With dividends reinvested, £100 invested in Imperial Brands in 2012 would now be worth £174 compared with £155 if invested in the FTSE 100 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.

MAXIMISING SHAREHOLDER RETURNS

COST OPTIMISATION

TOBACCO OPERATING MARGIN (%)



PERFORMANCE

Our focus on cost optimisation has resulted in consistently strong tobacco operating margins.

DEFINITION

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

CAPITAL DISCIPLINE

CASH CONVERSION RATE¹ (%)



PERFORMANCE

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

DEFINITION

Cash conversion is calculated as cash flow from operations 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.