

# 2019 OVERVIEW

**TOBACCO & NGP  
NET REVENUE\***

**£8.0bn**

+2.2%

**REPORTED EARNINGS  
PER SHARE**

**106.0p**

-26.2%

**DIVIDEND PER SHARE**

**206.6p**

+10%

**ASSET BRAND  
NET REVENUE\***

**£5.3bn**

+4.4%

**ADJUSTED EARNINGS  
PER SHARE\***

**273.3p**

-1.6%

\* Movement on a constant  
currency basis

## PERFORMANCE MEASURES USED THROUGHOUT THE REPORT

<b>Reported (GAAP)</b>	Complies with International Financial Reporting Standards and the relevant legislation.
<b>Adjusted (Non-GAAP)</b>	Non-GAAP measures provide a useful comparison of performance from one period to the next. Reconciliations can be found in notes 3, 8, 10 and 30.
<b>Constant currency basis</b>	Removes the effect of exchange rate movements on the translation of the results of our overseas operations. We translate current year results at prior year foreign exchange rates.
<b>Market share</b>	Market share data is presented as a 12-month moving average weighted across the markets in which we operate.
<b>Stick equivalent</b>	Stick equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes.

## OVERVIEW

Performance Overview	1
Chairman's Statement	2

## STRATEGY

Our Strategy	3
Our Business Model	4
Our Market	6
Chief Executive's Statement	8
Investment Case	11
Our Environment	12
Our Stakeholders	14
Key Performance Indicators	16

## PERFORMANCE

Sustainability Review	18
Operating Review	23
Financial Review	29
Principal Risks and Uncertainties	33

## GOVERNANCE

Chairman's Introduction	41
Board of Directors	42
Board Engagement	44
The Board and its Committees	46
Directors' Report	58
Directors' Remuneration Report	66

## FINANCIALS

Independent Auditors' Report	87
Consolidated Income Statement	96
Consolidated Statement of Comprehensive Income	97
Consolidated Balance Sheet	98
Consolidated Statement of Changes in Equity	99
Consolidated Cash Flow Statement	100
Notes to the Financial Statements	101
Imperial Brands PLC Balance Sheet	146
Imperial Brands PLC Statement of Changes in Equity	146
Notes to the Financial Statements of Imperial Brands PLC	147

## SUPPLEMENTARY INFORMATION

Related Undertakings	151
Shareholder Information	168



### OUR STRATEGY FOR GROWTH

Our strategy is aligned to our purpose and focuses on creating sustainable value

PAGE 3



### AN EVOLVING ENVIRONMENT

Addressing the issues posed by our changing operating environment

PAGE 12



### ENGAGING WITH STAKEHOLDERS

Stakeholder engagement is essential for the growth of the business

PAGE 14



### ENABLING GROWTH, CREATING VALUE

Managing our environmental, social and governance issues

PAGE 18



### DELIVERING GOOD GOVERNANCE

High standards of governance underpin our long-term sustainability

PAGE 41



“This report provides an overview of performance and the actions we are taking to strengthen our sustainability and create long-term value for our stakeholders.”

**MARK WILLIAMSON**

Chairman

This was a difficult year for the Group, one in which our financial delivery was impacted by a challenging Next Generation Products (NGP) market in the USA and lower than expected results in our Africa, Asia and Australasia division.

On a constant currency basis these factors resulted in Tobacco & NGP revenue growth of 2.2 per cent, and a 1.6 per cent decline in adjusted earnings per share. Reported earnings per share declined 26.2 per cent. Whilst this is disappointing, we continue to believe that NGP provides a significant opportunity to deliver additive growth to complement the resilience of our tobacco business.

We have a robust tobacco value creation model that will continue to grow profit and cash flows in the years ahead. In NGP we have adjusted our plans for growth in light of the volatile environment in the USA and continue to work with stakeholders globally to develop a regulatory framework that enforces high product and marketing standards.

**NEW DIVIDEND POLICY**

We increased the dividend by 10 per cent this year, in line with our long-standing policy. In July the Board announced a revised dividend policy to support continued growth and optimise returns for shareholders.

The new policy recognises the Company's continued strong cash generation and the importance of growing dividends for shareholders, while providing greater flexibility in capital allocation.

**ASSET DIVESTMENT PROGRAMME**

We have identified a number of assets that are not central to our growth strategy, including our premium cigar business which is in the process of being sold as part of a divestment programme that will realise up to £2 billion by May 2020. The Board will make a decision at that time regarding the most appropriate use of the proceeds.

**A RESPONSIBLE BUSINESS**

We run our business responsibly and take pride in the positive stakeholder contributions we make across our international footprint, including providing employment for more than 30,000 people, respecting the natural resources we use and contributing around £17 billion every year to governments in taxes.

In May we convened a panel of stakeholders and invited them to review our sustainability strategy. This has further informed the approach we take to managing our environmental, social and governance responsibilities and I would like to thank everyone involved for their valuable feedback.

**BOARD CHANGES**

In February, I announced my intention to step down from the Board in anticipation of the requirements of the new UK Corporate Governance Code regarding a Chairman's Board tenure. I will be succeeded by Thérèse Esperdy, currently Senior Independent Director, who will be appointed Chairman on 1 January 2020.

Thérèse has made a significant contribution since she became a Non-Executive Director in 2016 and I am delighted that she has agreed to take on this role. Her international executive experience and the acute understanding she has of the business, the sector we operate in and the concerns of investors is invaluable.

In October Chief Executive Officer Alison Cooper and the Board agreed that Alison will step down from the role of CEO and from the Board once a suitable successor is found. Alison has worked tirelessly and with great energy and passion during her 20 years with Imperial, nine of which have been as CEO. Under Alison's leadership the business has been simplified and reshaped to strengthen its long-term growth potential and around £12 billion in dividends has been returned to shareholders. The Board thanks her for the tremendous contribution she has made.

Details of further Board changes are included in our Governance Report, which provides an overview of our governance framework and the work of the Board and its Committees.

**STRENGTHENING DELIVERY**

I would like to thank our employees for all their hard work during the year and I know that the learnings taken from 2019 will be used to drive a stronger performance in 2020. I would also like to thank my Board colleagues for their support during my 12 years with the Company.

It has been a privilege to serve as Chairman for five of those years and I look forward to seeing Imperial Brands grow and prosper as it continues to focus on creating something better for the world's smokers.

**MARK WILLIAMSON**

Chairman