

ANNUAL GENERAL MEETING 2017

Imperial Brands PLC

1 February 2017



Mark Williamson

Chairman



DELIVERING ON OUR PRIORITIES IN FY16

Track record of consistent delivery



Net revenue

+10%

Operating profit

+10%

Operating margin

+60bps

EPS

+12%

Dividend

+10%

Strengthen Portfolio

- Quality of revenue improved
- Growth Brand share and revenue growth
- Building stronger equity and technology in e-vapour

Develop Footprint

- Realising opportunities in Growth Markets
- Improving quality of growth in Returns Markets
- Strong results from ITG Brands in the USA

Drive Cost Optimisation

- Savings programme on track
- Reducing portfolio complexity
- Continuing to improve ways of working

Embed Capital Discipline

- Cash conversion 95%
- Adjusted net debt reduced by £1bn at constant currency

ALISON COOPER
Chief Executive



STRONG REVENUE RESULTS

Focus on quality growth



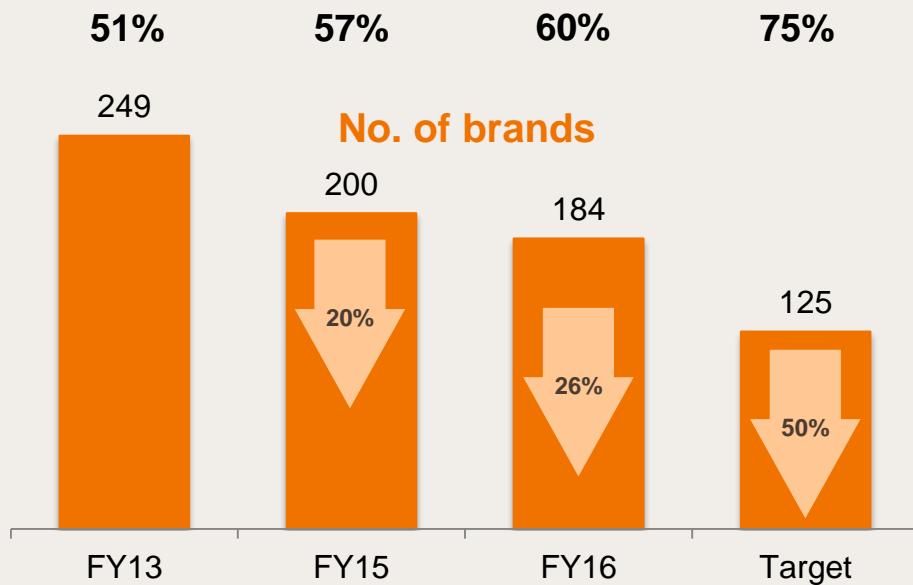
- Tobacco net revenue up 10% to £7.2 billion
 - £682 million from acquired US brands
- Proportion from Growth/Specialist Brands up to 61%
 - 46% from Growth Brands
 - 15% from Specialist Brands
- Continued focus on growing quality of revenue

STRENGTHEN PORTFOLIO: MIGRATIONS

More simplification and focus, more quality



Growth & Specialist Brands % of net revenue



Example: Russia - Balkan Star to P&S



- 49 migrations with c95% retention

Future investment focus

- Investing in more migrations
- Strengthening our brand portfolio

STRENGTHEN PORTFOLIO

More investment in new consumer experiences



Strong
Brand
Equity



Footprint
Priorities



Technical
Knowhow



Intellectual
Property



Future investment focus

- More brand equity building
- Leveraging blu Plus+ across key markets
- Trialling new consumer engagement activities: UK and USA
- On-line blu Nation consumer loyalty programme
- Investing in technology with blu 3rd generation

DEVELOPING FOOTPRINT: GROWTH MARKETS

Revenue and profit momentum



Net Revenue +4.3% £1,568m	Operating Profit +2.2% £443m
Growth Brand % of Net Revenue +20 bps 47.2%	Market Share -50 bps 6.4%

- Net revenue up 8.0% (ex. Iraq and Syria)
- Profit up 14.2% (ex. Iraq/Syria and transaction FX)
- Growth Brands benefiting from successful migrations
- Gaining share in Saudi, Italy and Japan; offset by Russia

DEVELOPING FOOTPRINT: USA MARKET

Strong results from ITG Brands



Net Revenue

+92.9%
£1,477m

Operating Profit

+102.4%
£823m

Growth Brand %
of Net Revenue

+490 bps
18.6%

Market Share

9.2%

- ITG Brands performing strongly; in line with our expectations
- Retail merchandising programme delivering:
 - Shelf space and improved visibility
 - Interior/exterior advertising
- New distribution model benefiting mass market cigar

DEVELOPING FOOTPRINT: RETURNS MARKETS

Increased contribution from Growth Brands



Net Revenue	Operating Profit
-2.7% £4,122m	-4.3% £2,094m
Growth Brand % of Net Revenue	Market Share
+370 bps 54.6%	-90 bps 26.1%

- Improved quality: increased Growth Brand revenue
- **Returns North**
- Strong performance in Australia, Germany
 - Investing in UK sub economy segment
 - Ukraine deprioritised
- **Returns South**
- Strong share gains in Algeria
 - Challenges in Morocco
 - Growth Brand migrations in Spain and France
- Operating profit up 0.9% (ex. transaction FX, EUTPD and PMI contracts)

COST AND CASH

Key drivers of growth strategy



- On track to deliver £300 million savings a year by 2018
 - £240 million delivered so far, including £65 million in 2016
- Cash conversion strong at 95%
- Adjusted net debt reduced by £1 billion
 - £2.1 billion reduction over two years
- Eighth consecutive year of 10% dividend growth

CORPORATE RESPONSIBILITY

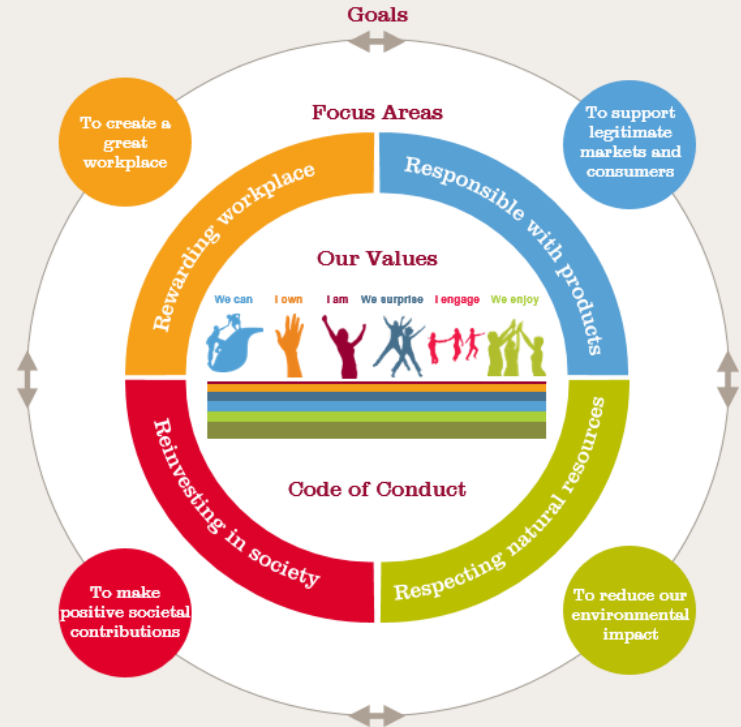
Integral to long-term sustainability



Employees supporting
CR agenda

More than 55,000 hours
volunteered

76% score in Dow
Jones Sustainability
Index



THE NEXT DECADE OF GROWTH

Growing shareholder returns



- Generating sustainable quality growth over next 10 years
- Building on foundations of current strategy
- New phase of investment starting in FY17
 - £300m invested in brands
- Supported by more cost optimisation
 - £300m savings pa by 2020



OUR PRIORITIES FOR FY17

On track to deliver



Deliver at least 10% increase in dividend



Strengthen Portfolio

- More portfolio simplification
- Migrations and SKU reduction
- Increase Growth and Specialist Brands contribution
- e-vapour/blu development and adjacencies



Develop Footprint

- More prioritisation
- Build on Growth Market opportunities
- Maintain momentum at ITG Brands
- Optimise performance in key Returns Markets



Drive Cost Optimisation

- More operating efficiencies
- Deliver £90m savings in FY17
- Deliver benefits from new ways of working



Embed Capital Discipline

- More capital discipline
- Maintain cash conversion focus
- Ongoing debt reduction