2024 Interim Results Script – 15 May 2024

Stefan

Slide – Half Year Results

Good morning, everyone… and thank you for joining our interim results presentation.

Slide – Disclaimer

I would like to draw your attention to this disclaimer before I introduce you to the team and outline our agenda.

Slide – Agenda

I'm joined by Lukas Paravicini, our CFO, and Peter Durman, Head of Investor Relations.

First, I will highlight some key points from today's strong set of results.

Lukas will then discuss our first-half financials in more detail and confirm our outlook for the full year.

I will then return with some more colour on how we are continuing to drive operational improvements to support our strategic transformation.

Finally, we look forward to taking your questions.

Slide – Delivering the Acceleration Phase of our Plan

This has been a six-month period characterised by a range of external pressures – continued high inflation in some markets, a squeeze on consumer wallets, supply chain disruption, and fast evolving regulation.

Amid these varied challenges, our teams have performed well and delivered a consistent, broad-based set of results.

In tobacco, we have driven robust pricing with price mix up 9 per cent.

At the same time, we have consolidated the strong aggregate market share gains achieved in priority markets over the past two years.

In next generation products, we have continued to scale up – with revenue growth of 17 per cent… while at the same time, we have driven increased gross margins and reduced losses.

Looking at our broader transformation, as you can see from today's figures, we are succeeding at a day-to-day operational level.

We are also making good progress on our longer-term ambitions to become more consumer-centric and to drive more efficient and effective ways of working.

The future is always uncertain, and we know this is a competitive industry prone to disruptive change. So, we never take anything for granted.

All of that said, today's results are another set of data points evidencing that we are a stronger business than we were three years ago.

We are now better able to deliver consistent and broad-based performances, with positive price and share in combustibles and, in NGP, growth and improved margins.

Slide – Half Year Delivery in Line with Guidance

This is the sixth half-year period when I have showed you this dashboard – and for the sixth time in a row, there is a tick in every box and all the lights are green.

When we launched our strategy in January 2021 we divided the five-year period into an initial foundation-building phase, followed by a phase of accelerating returns.

We are now 18 months into the acceleration phase and there are two metrics which most clearly highlight our success in stepping up performance.

<u>First</u> is the 2.8 per cent growth in net revenue.

This is the strongest organic growth Imperial Brands has reported for at least ten years and it has been driven by a strong performance in both tobacco and NGP.

The <u>second</u> metric to focus on is the 7.7 per cent growth in earnings per share, highlighting the accelerated profit growth <u>and</u> the powerful year-on-year compounding effect of our ongoing share buyback.

Since starting the buyback in 2022 we have retired 9 per cent of our share capital.

And, taking the longer view, over three years we are on course to make cumulative capital returns to shareholders of £6 billion through buybacks and dividends.

Slide – Demonstrating Agility as a Challenger

Underpinning this operational and financial progress is the steady transformation of Imperial Brands into the strong challenger business for our industry.

Being a challenger is about getting super close to consumers.

It's about a strong culture focused on performance.

It's also about agile ways of working supported by tech and data.

In previous presentations, I have spoken about how we have invested in consumer insights, innovation and brand building.

And I have spoken about how we are upskilling our leaders to coach stronger performances from their teams.

Later in this presentation, I will shine the spotlight on the strategic, long-term improvements we are making to business data, supply-chain management and our enabling functions.

Taken together, while there is still much more work to do, this transformation is already making us more agile and better able to deliver consistent growth.

I have always believed that it is in times when a business faces external headwinds that its agility becomes most apparent.

And in the first half, it's fair to say we successfully navigated through some pretty stormy conditions.

We managed inflationary pressures and a squeeze on consumer wallets in some key markets thanks to how we have strengthened our brands and a more rigorous approach to revenue growth management.

We have so far responded well to the challenge of the Red Sea crisis thanks to the ability of our supply chain teams to respond at pace.

It is this improving agility – our evolution into a strong challenger – that gives us confidence in our ability to continue to deliver in the second half – and beyond.

I will now hand over to Lukas to take you through the financial results and outlook in more detail.

Lukas

Slide – Financial Review and Outlook

Thanks, Stefan, and good morning everyone.

Slide – Continued Financial Delivery

Once again, I am pleased to show you a positive financial dashboard.

As Stefan mentioned, we delivered strong pricing while consolidating the aggregate share gains in our five priority markets achieved in recent years.

In NGP, revenue growth is translating into gross margin improvement.

This operational success has supported the improvement in Group adjusted operating profit growth of 2.8 per cent.

Cash conversion was strong at 97 per cent on a 12-month basis.

Leverage at 2.5 times is higher than the full year for the usual seasonal reasons but remains within our target range.

This performance has meant that, at the half year, we're on track to deliver against plan as well as meet our capital allocation priorities.

Slide – Strong Tobacco Price Mix Across Footprint

Our results offer a good illustration of the tobacco value model in action.

Strong pricing across our footprint – in orange – has more than offset volume declines to deliver an acceleration in tobacco net revenue growth.

In Europe, our largest region, strong and broad-based pricing has significantly outpaced volume declines.

In the US, price mix increased 12.9 per cent, driven mainly by pricing gains in our cigarette portfolio.

This more than compensated for the volume declines, which also reflects some temporary wholesaler destocking in cigarettes.

In our AAACE region, volumes have been affected by shipment timings in the Middle East due to tighter border controls and the Red Sea crisis.

There have also been market size declines in Australia.

Slide – Strong Adjusted Operating Profit Growth

Group operating profit growth was driven by all three parts of the business: tobacco, NGP and Logista.

In tobacco, the strong pricing has dropped through to higher profit.

In NGP, we reduced our losses by building scale in our existing footprint and improving gross margins.

Logista also made a strong contribution with robust underlying performance helped by pricing in its tobacco-related business.

Slide – Delivering an Acceleration in EPS Growth

Our adjusted EPS reflects our adjusted operating profit growth and the reduced share count due to our ongoing buyback.

You can really see the year-on-year effect of the buyback coming through.

As Stefan said, we have already repurchased 9 per cent of our share capital since the start of our buyback programme, just eighteen months ago.

This offsets the small increases in interest and tax.

The net finance costs reflect a slightly higher all-in cost of debt as we refinanced at higher rates.

This was offset by a currency switch to minimise the overall rate increase.

Our adjusted effective tax rate was 23 per cent, in line with our full year guidance.

Slide – On Track With Capital Allocation Priorities

Turning to cash and capital allocation… we remain focused on cash generation and disciplined in how we allocate capital.

Operating cash conversion was 97 per cent on a 12-month basis.

The strong operating cash conversion is driven by improved working capital at Imperial, partially offset by higher working capital at Logista and higher cash tax.

Disciplined capital allocation remains a key part of our value creation model.

Our first priority is to invest in the business.

Leverage at the half year is broadly flat year-on-year and our year-end leverage will be around the lower end of our 2 to 2.5 range.

Our progress on strengthening the balance sheet is being recognised externally, with Moody's upgrade to their outlook from "stable" to "positive" in December 2023.

We have announced an interim dividend increase of 4.0 per cent, retaining the increase in growth rate from FY23.

And the £1.1bn buyback will be largely complete by the end of September.

Together, this means we are on track to have returned £6 billion to shareholders over a three-year period.

Slide – On Track To Deliver Full Year Guidance

The strength of our strategy and performance in the first half means we are confident we can further improve adjusted operating profit growth in the second half – in line with guidance.

This step-up will be partly underpinned by pricing already taken in this first half and improved operational gearing.

And over the second half, we see an improvement in NGP profit trends as we grow into our newly expanded footprint.

As previously guided, we continue to expect full-year constant currency tobacco and NGP net revenue to grow in the low single digits.

Constant currency adjusted operating profit is expected to grow close to the middle of our mid-single-digit range.

At current rates, we expect foreign exchange translation to be a 3 to 3.5 per cent headwind to profit. As usual, there is a slide in the appendices with guidance on specific items.

Our strategic transformation and disciplined capital allocation means we are well placed to generate long-term value for shareholders.

Thank you.

I'll now hand back to Stefan, who will provide an update on operational progress.

Stefan

Slide – Transforming Imperial Brands

Thank you, Lukas.

Slide – Our Purpose, Vision and Strategy

Most of you will now be well familiar with this slide – our strategy, and how it links to our purpose, our vision and our behaviours.

In every element, we are making good progress.

Starting with the strategic priorities – the top half of the wheel on the left.

In our priority tobacco markets, we are simultaneously delivering share, price and value.

In NGP we are building both scale and margins.

And, as you just heard from Lukas, Logista, our distribution business is contributing strongly.

Success in these strategic priorities is underpinned by our critical enablers – the bottom three segments of the wheel.

Our consumer and innovation capabilities are maturing.

Our three "sense hubs" in Liverpool, Hamburg and Shenzhen, which bring together our consumers, partners and our own product developers, are now fully up and running.

We are making measurable progress on our performance culture.

During the first half, a further 200 leaders participated in our intensive, seven-day "Connected Leadership" course. This enables them to become better coaches to their teams and drive stronger performance.

Investments like these in our people are enabling us to embed our five behaviours, shown along the bottom of the slide.

The way our people are becoming more collaborative, accountable and future-focused is a key reason for our growing success.

I spoke earlier to you about the importance of our vision of being a strong challenger.

And in a moment, I will flag a few further examples of this mindset in action during the first half.

Turning to our purpose, as our NGP business develops and as we deliver on our wider ESG commitments, we are steadily moving along the path to a healthier future.

Slide – Transforming Imperial Brands

I am going to spend a few moments focusing on how we are building a more simplified and efficient organisation – one of the three critical enablers from our strategy wheel.

We are transforming the business across key functions: Finance, Procurement, People and Culture, and IT to enable our people to provide more insightful advice, and make smarter, faster decisions.

As I have said before, being a challenger is not just about mindsets, it is also about equipping our people with good data and efficient processes.

Over the past two years we have created an all-new Global Business Services function with 300 colleagues sitting in sites in Poland, Philippines and Bulgaria

This centralises key processes and operations, freeing up our business partners in the markets to become more commercially focused.

Now, I recently visited our GBS site in Krakow and saw first-hand the visible transformation the team are supporting, which is on track to deliver a 10 per cent productivity improvement in year one.

We are also progressing well with the global upgrade to our technology and data architecture, through the creation of a single ERP platform replacing 60 legacy systems.

In the first half, we moved from the planning and design phase to preparing for our early adopter markets to go live at the end of this year.

Alongside – and integrated to – these major programmes, we are moving ahead with technology initiatives which will empower colleagues in the supply chain, people and culture, and finance functions.

While the benefits of these transformations are already flowing through, the step change in our effectiveness and efficiency will come in future years.

And this is one of the things which gives me confidence about this company's head room for future growth.

Slide – Delivering on Our People & Planet Agenda

We continue to make good progress with our ESG agenda – or People and Planet as we call it internally.

As usual, we will publish our full ESG update at the year-end. So, today I will just highlight a few achievements from the last six months.

Looking first at our net zero ambitions, we were awarded a ‘A’ rating for climate from CDP, for the fifth successive year. In addition, our transition plans have now been validated by the Science Based Targets initiative.

Turning to waste and recycling, I am pleased to report we achieved zero landfill across our factory operations 18 months ahead of our 2025 target.

In health and safety, we have been focused on analysing the root causes of accidents and then mitigating them through education and awareness.

Over the past six months, more than 100 leaders have been trained on behavioural safety.

And I look forward to reporting further progress in future presentations.

Slide – Achieving our Priority Market Share Objective

Over the past three years, we have achieved our objective of stabilising market share across our five priority markets.

We can now report three and a half years of stable or growing share – after years of decline.

As a reminder, our objective is to maintain our share.

Our top five markets are highly competitive, and we manage them as a portfolio.

Therefore, some markets may be up and some down within the period.

We have gained share in the US, Spain and Australia, with declines in the UK and Germany.

Now let me take you through our performance in our priority markets starting with the US…

Slide – US: Delivering Revenue and Profit Growth

Our tobacco portfolio has continued to perform strongly.

Despite the volume pressures, strong price mix means we have once again grown both revenue and profits.

This is within a market that saw industry volumes decline around 8.5 per cent.

We delivered further growth in cigarette share, up 5 basis points.

Underpinning this consistent success has been a long-term focus on upskilling our sales force, targeted brand equity investments and careful management of our portfolio.

The breadth of our offering means we are well placed to capitalise on evolving consumer preferences.

Turning to mass market cigars, last year was marked by transition – with our performance affected by post pandemic changes to consumer behaviour as well as wholesaler destocking caused by Hurricane Ian.

As we said, these factors are now behind us and, while market size remains under pressure, we have delivered an improved performance, most notably in Backwoods, our premium brand.

Slide – Priority Markets: Improving Share Trends

Our other four priority markets continue to perform well.

In terms of share *trends*, all delivered an improvement over the same period last year.

And, like other years, we have made clear choices around balancing market share with the delivery of pricing.

In Germany, many of you will know that this has been a tougher market to turn around.

However, after a sustained period of share losses, we are now seeing an improvement in the trend.

I was in the market recently, and I could see how our new sales force initiatives are starting to build stronger relationships with key customers.

But, at the same time, there is much still to do before we can declare victory.

In the UK, we chose to increase prices in February with the clear expectation that this would have a short-term impact on share.

But we're confident this was the correct decision for long-term value creation.

In Spain, we delivered strong market share growth through initiatives focused on local jewel brands, such as Nobel.

This share improvement was accompanied by price increases for the third consecutive year, following a period of price stability.

In Australia, the high-excise environment has driven an increase in the illicit trade and this means the size of the legal market is under pressure.

That said, our team in Australia has done a great job in optimising value from the portfolio while also delivering share gains.

Each of these top-five businesses are operating in very different environments with different challenges and different opportunities.

But what unites them all is that they are all delivering strongly against their individual strategies.

And this is enabling us to meet our overarching objective of delivering value with stable aggregate share.

Slide – Creating a Sustainable NGP Business

Now, turning to NGP, both the market environment and our capabilities continue to evolve at pace.

Consumer preferences and regulatory environments are changing rapidly.

All of this means it is important for us to be able to offer consumers choice across multiple categories – and remain targeted and agile in our execution.

The first three years were about building the foundations for a sustainable NGP business.

We followed – and continue to follow – a test-and-learn methodology, using consumer trials to validate our approach.

We recognised that we have to play differently to our competitors and are mindful of the need to be smart with our investments.

Following a period of new market and product launches in FY23, our focus this year is about building scale in our existing footprint.

We have continued to grow both NGP net revenue year over year, and to improve the gross margins – early evidence, I would suggest, of the sustainability of the NGP platform we are building.

Slide – Delivering European NGP Net Revenue Growth

Our focus has continued to be revenue growth in Europe. This is the world's largest NGP region – it's even bigger than the US.

NGP now makes up more than 7 per cent of net revenue from European markets, up from 2 per cent four years ago.

We showed the market-by-market bar chart on the left at our full year results in November and even since then we've made considerable progress.

In six markets, NGP now accounts for a quarter or more of total revenue.

Looking at the financials, Group-wide we delivered 17 per cent net revenue growth in the first half, and 24 per cent in Europe including Central and Eastern European markets.

Slide – Vapour: Product Innovation Driving Growth

In vapour, we are building scale and, encouragingly, we are seeing growth in our larger European markets, including the UK and Germany.

I have spoken before about how our consumer-centric partnership approach was helping make us more competitive.

What's new in the past six-months is that we have proven we can now not only be a fast-follower, but sometimes we can also lead the pack with new product features.

Consumers have told us they wanted to see a longer-lasting disposable vape and we have responded by becoming the first tobacco player to offer a product with 1,000 puffs in a single device.

This all-new blu bar also contains a removable battery to enable more of the product to be recycled.

It's now available in the UK and early consumer feedback is extremely positive.

While growth in vaping continues to be driven by disposables, our blu 2.0 pod-based product continues to appeal to consumers in some key markets such as Spain, where we lead the pod category.

Slide – Heated Tobacco: Consolidating Market Launches

Now, turning to heated products…

As a reminder, Pulze 2.0 is now present in seven European markets, which represent more than 60 per cent of the addressable European market.

The device, with its 25 or more sessions from a single charge, appeals to consumers who like consecutive sessions <u>and</u> appreciate its convenience.

Our proposition has been supported by the introduction of the flavoured non-tobacco heat sticks under the new iSenzia brand.

This is a competitive market, and our competitors are also innovating fast. However, we continue to remain highly focused on our target consumers so we can secure our fair share in this category.

Slide – Modern Oral: Zone Launched in the US

In modern oral nicotine, the exciting news is that we have now entered the fast-growing US market, with our own brand, 'zone', in February of this year.

The product has been introduced across 12 metropolitan areas in the US and, to maximise consumer appeal, the portfolio includes 14 SKUs across two different strengths.

And we have taken a challenger approach by offering a very clearly differentiated product.

‘zone’ pouches are more moist than others on the market and our testing suggests this makes for a better mouth feel.

I was in the US recently and it was great to see what our sales team have implemented at the point of sale to achieve an eye-catching profile in stores.

While it is too early to get a read on consumer uptake, we are on track with the planned roll-out and we have received an encouraging initial reaction from consumers and the trade.

Turning to Europe, we continued to deliver strong growth through Zone X, driven by new flavour launches, shown here.

Overall, our European modern oral business grew by more than 30 per cent from last year.

Slide – On Track to Deliver Our Full Year Guidance

So, to summarise…

The first half represents another period of improved operational and financial delivery.

We have landed in line with our commitments and, in some areas - for example on net revenue – delivered beyond expectations.

These good results are more data points, more evidence that our strategy is working.

Investments in consumer capabilities, culture and ways of working mean that this is now a stronger business, better able to deliver consistent growth.

Our vision to be the industry challenger is being realised.

We are always going to be smaller – but we can be more focused on operational performance and more focused on creating value for you – our shareholders.

As Lukas said, we expect to deliver a full-year performance in line with our guidance.

And despite the varied challenges we will continue to face in the external environment, we are also confident about our ability to grow sustainably in the years to come.

Thank you again for joining us today…

We would now like to take your questions. I will hand back to the operator to start the Q&A session.

Thank you.

SLIDE - Q&A

Operator: Thank you. To ask a question you will need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. That is star one and one to ask a question. We will now go to our first question. One moment please. And your first question comes from the line of Rashad Kawan from Morgan Stanley. Please go ahead.

Rashad Kawan (Morgan Stanley): Good morning and thanks Stefan, Lukas and Peter for taking my questions. A couple from me please. So, the first one on Germany, a nice sequential narrowing of the share losses there. What's your outlook for the market there over the next few years? And as Stefan you said that, you know, it's too early to declare victory but are you finally seeing a path to neutral or even, you know, share gains from here?

And then my second question on the price mix in the US. Clearly very strong at 13%. Can you break down how much of that was price versus mix and should we expect that strength to kind of continue into the second half of the year? Thank you very much.

Stefan Bomhard: Sure. Good morning, Rashad. I will take your first question and Lukas will answer the second question. On Germany as you rightly say, I mean, we are encouraged by the progress we're making in Germany which is, you know, out of the top-five markets, the one were turning around share performance is taking the longest. I think what it's important also to remind we always said our strategy was about the combination of our top-five markets together that we would hold share or gain share but with the key line being the holding share. And we've achieved that in the three and a half years despite the German share movement. I think what is – what is exciting to see is that the must-win battles that we've put into place in Germany are now starting to bear fruit. And I think look – I think for this year for sure we will see – still see a negative trajectory, but I think you do see now a movement in the right direction of our German share number. And let us remind ourselves – Germany's a very attractive market. The market size declines in Germany are noticeably smaller than some of the other markets. So, getting to a better share position in this market will bode well in the years to come. But I wouldn't want to predict at this point in time in a highly competitive marketplace what our share performance will be in the years to come.

Lukas Paravicini: Thank you. And just on the price mix Rashad indeed we had a very strong price mix of 12.9% in the Americas. That is mainly pricing. With the mix is neutral. And yes, as we said in the presentation the outlook for the second half, you know, we obviously confirmed the guidance and part of that delivery is because we have taken the pricing and, as you pointed out, it will roll over into the second half. So, you can continue to see a strong pricing in the second half in the US. And pricing is equally in cigarettes as it is in mass market cigars by the way.

Rashad Kawan: Thank you very much.

Operator: Thank you. We will now go to our next question. And your next question comes from the line of Faham Baig from UBS. Please go ahead.

Faham Baig (UBS): Hi guys, thank you for the questions. I've got three if that's okay. I'll start with the US as well. So, I guess your overall Group strategy to accelerate growth towards the mid-single digit range relies on the US delivering at that or slightly above. Could you maybe discuss how you expect the volume environment in the US to improve from here? And in a competitive market, how sustainable it would be for you to continue to deliver double-digit pricing in order to try and hit the mid-single digit operating profit growth?

Stefan Bomhard: Okay, yes. Let me answer this question. I think number one, I think US is as you – is around 35% of our business. So, I think as you know, we play a total portfolio for three regions and a lot of markets so it's not – I wouldn't go to the assumption that to hit mid-single digit operating profit that's exactly the performance the US needs to deliver. US does need to make a contribution to it, but you see for example in these half year results that our European region which is a larger region has made a contribution well ahead of that. So, we are playing our global mix in this context as well. Yes. That would be point number one.

Point number two, I think when we look at the half one result, I think what you can see is that we have the right product portfolio, the right strategy for the US because what you can see here is we took pricing to more than compensate for the market size decline in US. But at the same time have continued to gain market share, yes, and improve our profitability. So, I feel very confident that in the US market, where we will continue to see market size decline in the years to come, we have the right portfolio and the right strategy to deliver the set of numbers that we rely for our US business and our global business.

And then on the question of market size declines, you're absolutely right. What we are seeing is in many of our markets globally market size declines have started to more normalise. US is one of the exceptions to that. There are two effects that we're seeing in the US market that for the time being lead to an elevated level. Number one, the macroeconomic factors, the overall cost inflation for consumers in the US remains elevated versus historical terms. Now, we see it improving but we're still not back to normal. So, that's definitely one factor. And the second factor that we're clearly seeing is the growth of the listed specifically in vapes at this point in time is impacting the FMC volumes. But again here, encouragingly, we are in the US seeing the regulator actually go more aggressively after, but it will be difficult to predict from our side of the smallest of the big three players what the outlook would be. We do forecast that in the next one to three years we should see a reduction of these two special factors in US.

Lukas Paravicini: And if I may Stefan, just to add to that, as you know, Faham, the US remains one of our most affordable markets still. So if you combine that affordability with what Stefan just said that the macroeconomic will improve and hopefully also trickle into the consumer's pocket, then, you know, not only can we sustain that double-digit price but the pricing will probably be required to be less than it is currently because volumes will normalise again.

Faham Baig: Thank you. So secondly, just want to move on to growth in Vapour. It seems to have slowed in the first half. And if I take into account the entire category, I think it's slightly underperforming the category as well. Could you maybe discuss some of the drivers behind this outside of the US? Any sort of planned innovations or launches or changes in approach?

Stefan Bomhard: Sure. I mean, on – number one, we're not seeing a slowdown in our growth in vaping, just to be clear, yes. I think what you see, you see the run rate has slightly reduced overall for our NGP business versus last year where we have 24% growth, we had 17% growth. But don't forget last year saw, for example, some new market entries and launches specifically in the Heated Tobacco business. So that is one of the key drivers. We're not seeing a slowdown in our NGP business overall. We're not seeing a slowdown in our vaping business. So, we're very encouraged by the performance that we're seeing across our vaping business. But you're pretty right, some markets the extraordinary growth that vaping has seen from a market size perspective has become more normal but it is still the fastest growing category in many of the markets that we are seeing.

And on the innovation, I think – look, as you probably understand we're not – cannot share our forward innovation plans but I think what you should take courage from is what I referred to earlier. It's about we launched in the disposable vaping category the blu bar with 1,000 puffs and a removable battery which were among the established tobacco players the first one to launch such a high puff count, and also the first one to launch a disposable with a removable battery which should give you a sense of what a challenger mindset and also the corporation with outside partners is capable of delivering into the business.

Faham Baig: Thanks for that. Then just finally, again good performance in the top-five markets again, and I recognise the rest of the markets, there are a number of them. But I noted in the appendix that your Group market share in the first half actually declined by 80 basis points which I believe is a deceleration compared to last year. Could you maybe discuss what markets are driving a dip in which markets in the overall performance? And maybe what you can do to try and replicate the strategy in the top-five markets in some of the other notable markets as well, please.

Stefan Bomhard: Absolutely. And I think what you rightly picked up, and we will make some portfolio choices outside the top five from a market share and pricing perspective. And those were very deliberate choices. And just a reminder, more than 70% of our profits come from the top-five of the company. So, we're talking about a relatively small part of the company. But the biggest movement in reality was in the AAACE region where we made, as you know, after two outstanding years where profits grew 16% last year and 6% before and we had a very strong market performance, as, you know, in the AAACE region we also have Africa in there. We have some of the low-income markets like in Central and Eastern Europe where in some markets we made a choice to not participate in certain price actions of our competitors. That was a very deliberate choice that is reflected in the share performance here.

Faham Baig: Cool. Thank you very much.

Operator: Thank you. Once again, if you would like to ask a question, please press star one and one on your telephone keypad. We will now go to the next question. And your next question comes from the line of Philip Spain from JP Morgan.

Philip Spain: Hi, thank you for taking my questions. I just – I had a couple on the US please. You mentioned in the presentation that you're seeing some destocking in the US. I just wanted to understand what kind of the factors that are driving that and if we should expect any further destocking in the second half of the year. And the second question I have on the US was on the Modern Oral rollout. If you could give us kind of an update on the rollout plan there that you have and what the timeline is over the next few months in terms of the geographical rollout? Thank you.

Stefan Bomhard: Sure, absolutely Philip and good morning. On the destocking in FMC in the US of 2%, I don't read anything specific into this one. It's a simple reason. As you know in the US, against price increases that as you know happen in our industry 3-4 times a year, wholesalers in the US actually will speculate against these price increases and build up stocks in anticipation of price increases which allows them to take stock profits, yes. So, what we have seen in this half year, and this has more to do with the timing of our price increases in the US and our trade partners taking advantage of that. So, don't read anything major into it. It's our usual up and down that you have especially when you look at the half year number, yes.

On the launch of Zone now we launched – we're rolling out Zone as of February of this year across a number of metropolitan centres. So, it is very early days. We're very encouraged with the trade reaction we have received and the initial consumer reaction. But you know us as a prudent management team. Look, we want to see the repurchase of consumers, so we're absolutely on track with what we want to deliver. We're very encouraged by the early reactions of our trade partners and consumers but it's too early to tell what the long-term and mid-term success of the business will be. We'll give you an update at the full year results because then we should have the data from consumer tracking and we should have the data also from market share from all the places we've launched. But so far, we're very encouraged with what we've seen there.

Philip Spain: Okay great, that's really helpful, thank you. Actually, maybe could I just follow up one more question? You obviously are targeting on the leverage to be at the low end of the range by the end of the year. How would you think about I suppose that target developing if you were – like would you be willing to go below 2.0x? Or like I'm just trying think how should we be thinking about, you know, further cash returns to shareholders in that context.

Lukas Paravicini: Yes, thanks. This is Lukas. You know, we – this takes us always back to the capital allocation policy that we have which is very clear in terms of our guidance in what we want to do. Our priority was having a strong balance sheet which was always defined as the lower end of 2-2.5x leverage – range of leverage. We've achieved that obviously and we have always been very clear that our goal is to remain at that position. We have no intent to go much further down. You will see perhaps at the end of the year or at any given time some fluctuations for FX, but our target remains the lower end of 2-2.5x.

Philip Spain: Thank you very much.

Operator: Thank you. We will now take the next question. And your next question comes from the line of Richard Felton Goldman Sachs. Please go ahead.

Richard Felton (Goldman Sachs): Thank you. Good morning, thanks for taking my question. Just one from me please on the US cigars business. I appreciate that there's been quite a lot of moving parts in that business over the last couple of years. So, I'd be interested to hear your thoughts on a couple of things. Firstly, the sort of overall trajectory for that category and what you think a more kind of normalised category growth might look like. And then secondly, for Imperial's relative performance, I know you called out better performance of Backwoods, but from an overall US cigar portfolio perspective, are you back into stable market share territory? Any thoughts around that would be very helpful. Thank you.

Stefan Bomhard: Absolutely. Good morning. On overall, we're very encouraged by the result of our US mass market cigars business; but as you asked the question of market size, what we are still seeing in – I mean, what we still see on the market size is an elevated level of market size decline. That's the market, that's not us, which is around 9%, yes. And it goes back to what we talked earlier about, is about kind of the consumer pressure from a disposable income that has impacted the mass market cigar business. And we are clearly outperforming the market very significantly, yes, but we see as some of that pressure will ease we think, there will be a better market size development of the mass market cigar market which we will benefit from as well. When it comes to our performance, we clearly – the very encouraging sign, we've always had fiscal year 2023, last year was the transition year. And the good news is that we see our business much more back on its normal track record, and specifically as I mentioned Backwoods. We're clearly seeing Backwoods as the most premium brand in the market and the one that is the biggest profit contributor to our mass market cigar business, well back on track, yes. Also driven by innovations that we've brought to the market but we see – we're very happy with that performance.

Richard Felton: Great, thank you Stefan.

Operator: Thank you. There are currently no further questions. I will hand back to Stefan for closing remarks.

Stefan Bomhard: Well, I mean, for my side, I mean, first thank you to all of you for joining today and for your questions. And I hope you can see how today's results are really further evidence of how we have strengthened the business in the last three and a half years. And how we've improved our agility so we can deliver consistently even if there are headwinds in the macroeconomic world. And I'm pleased with the continued operational progress that we're making. And we've delivered strong pricing, several of you referred to it, while maintaining the share performance in our top-five markets, yes. We're at the same time gaining momentum in our NPG business so our consumer focus and the differentiated challenger approach that we have. And at the same time, we haven't talked about it in the questions, but I think it's also important that we continue to build our capabilities and embrace the new ways of working to support our strategy. So if I may, I do believe that Imperial Brands provides a truly interesting investment case at a very attractive valuation because as we drive growth in both Tobacco and NPG, we generate very strong cash flows and coupled with the clear capital allocation frameworks that you asked Lukas about again which underpin growing returns for shareholders through the dividend and an ongoing buyback. So, Lukas and me are very much looking forward to updating you on our progress in our next call, yes. Thank you very much for listening to us this morning. Thank you.

Lukas Paravicini: Goodbye.

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