



# Preliminary Results 2015

Imperial Tobacco Group PLC

3 November 2015

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**Alison Cooper**

Chief Executive

# Our Priorities for FY15

what we said last year

Target of at least 10% increase in dividend

## Strengthen Portfolio

- Enhance brand equity to build sustainability
- Build on success of early migrations
- Investment focused on primary brands in all markets
- New launches from Fontem

## Develop Footprint

- Building momentum across Growth Markets
- Continue to optimise performance in Returns Markets
- Rapid and efficient integration of USA assets

## Cost Optimisation

- Deliver further savings as part of £300m pa 2018 target
- Continue to refine ways of working

## Capital Discipline

- Embedding cash conversion discipline
- Further improvements to capital deployment
- Continue to manage structure and level of debt

# Delivering on our Priorities

good progress against strategy

Dividend up 10% to 141.0p

## Strengthen Portfolio

- ✓ Quality of revenue further improved; Growth & Specialist Brands 57% of net revenue
- ✓ Successful migrations
- ✓ Stronger equity and technology in e-vapour

## Develop Footprint

- ✓ Realising opportunities in Growth Markets
- ✓ Positive progress in Returns Markets
- ✓ Expanded USA footprint
- ✓ Successful first few months for ITG Brands

## Cost Optimisation

- ✓ Programme delivering and on track
- ✓ Reducing portfolio complexity
- ✓ Process alignment
- ✓ Improved margins

## Capital Discipline

- ✓ Cash conversion 97%
- ✓ Like for like adjusted net debt reduced by £1.1bn
- ✓ Successful \$4.5bn placement



**Oliver Tant**

Chief Financial Officer

# Group Results

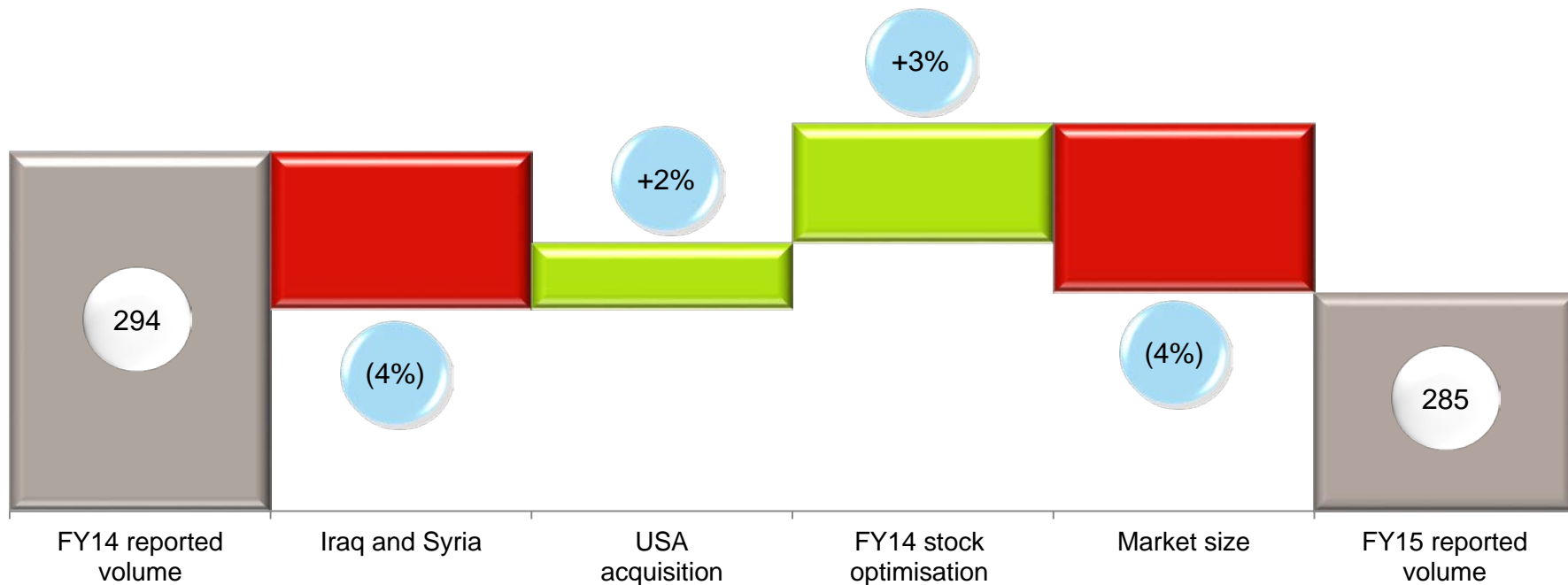
delivering against the strategy

	Movement in		Constant Currency Growth	FY15		Constant Currency Δ
	FY14 <sup>R</sup>	Foreign Exchange			Δ	
Tobacco net revenue (£m)	6,421	(447)	277	6,251	-3%	+4%
Tobacco operating profit (£m)	2,805	(115)	205	2,895	+3%	+7%
<i>Operating margin %</i>	<i>43.7</i>			<i>46.3</i>	<i>+260 bps</i>	<i>+130 bps</i>
Logistics operating profit (£m)	166	(16)	4	154	-7%	+2%
Adjusted operating profit (£m)	2,981	(131)	203	3,053	+2%	+7%
Adjusted EPS (p)	203.4	(7.6)	16.7	212.5	+4%	+8%
DPS (p)	128.1			141.0	+10%	
Cash conversion (%)	91.1			97.3	+620 bps	
Adjusted net debt (£m)	(8,112)			(11,646)		

All numbers on an adjusted basis; <sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives

# FY15 Volume

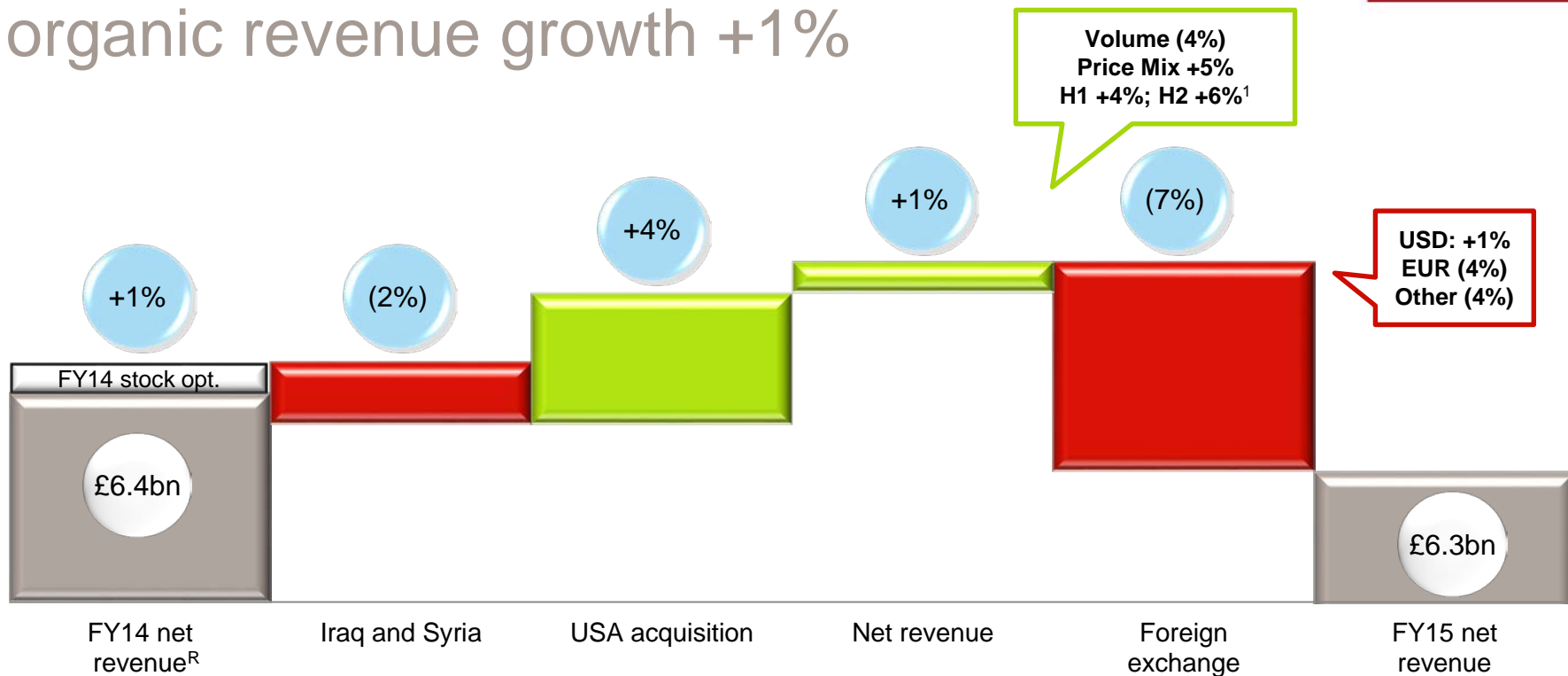
maintaining market share





# FY15 Net Revenue

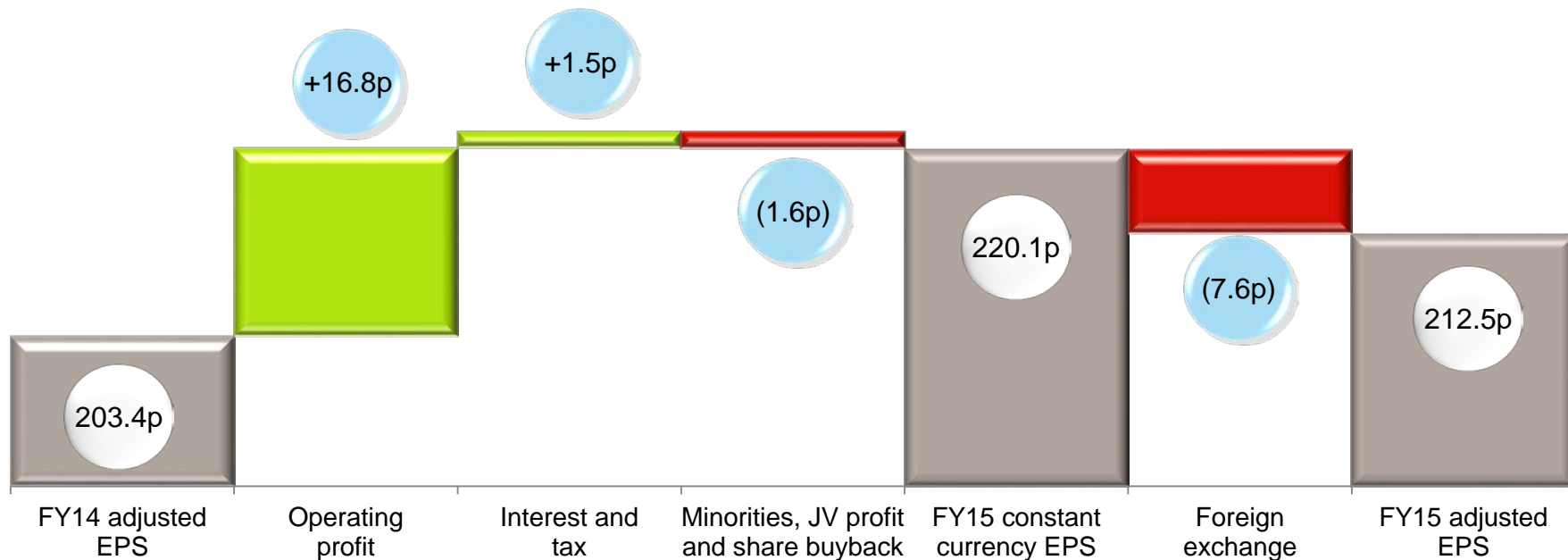
organic revenue growth +1%



<sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives; <sup>1</sup> price mix: underlying movement excluding the impact of Iraq/Syria and USA acquisition

# FY15 EPS Growth

constant currency EPS up 8%



# Strengthening Portfolio

growing quality of revenue

Growth Brands	FY15	FY14 <sup>R</sup>	Actual $\Delta$	Constant FX $\Delta$	Underlying $\Delta$	Ex. Iraq and Syria
Volume (bn SE)	145.1	131.1	+11%		+7%	+14%
Market share (%)	6.6	5.5	+110 bps			
Tobacco net revenue (£m)	2,862	2,736	+5%	+14%	+12%	+15%
% of tobacco net revenue	46	43	+320 bps			

## Specialist Brands

Tobacco net revenue (£m)	693	743	-7%	0%	-1%	+3%
% of tobacco net revenue	11	12	-50 bps			

- Growth and Specialist 57% of net revenue (59% excluding USA acquisition)
- Winston in Growth and Kool in Specialist from FY16

# Developing Footprint: Growth

building profit and Growth Brand share

	FY15	FY14 <sup>R</sup>	Actual Δ	Constant FX Δ	Underlying Δ
Tobacco net revenue (£m)	1,449	1,513	-4%	+4%	-3%
Adjusted operating profit (£m)	409	334	+22%	+19%	
Growth Brands % tobacco net revenue	47.0	47.9	-90 bps		
Market share (%)	6.1	6.4	-30 bps		

- Underlying net revenue up 5% and profit up 8% (excluding Iraq and Syria)
- Strong profit performance in Russia, Norway and Taiwan
- Share up in Saudi, Italy and Japan; offset by Vietnam
- Growth brand share up to 3.1%

# Developing Footprint: Returns

revenue and profit growing

	FY15	FY14 <sup>R</sup>	Actual Δ	Constant FX Δ	Underlying Δ
Tobacco net revenue (£m)	4,095	4,401	-7%	+1%	+1%
Adjusted operating profit (£m)	2,111	2,235	-6%	+1%	
Growth Brands % tobacco net revenue	50.9	43.2	+770 bps		
Market share (%)	26.2	26.4	-20 bps		

- Underlying net revenue growth reflects improved H2 price/mix
- Strong profit performances in Germany and Australia
- Share in line with strategy; up in Returns North offset by Returns South
- Growth Brands over half of net revenue

# Developing Footprint: USA

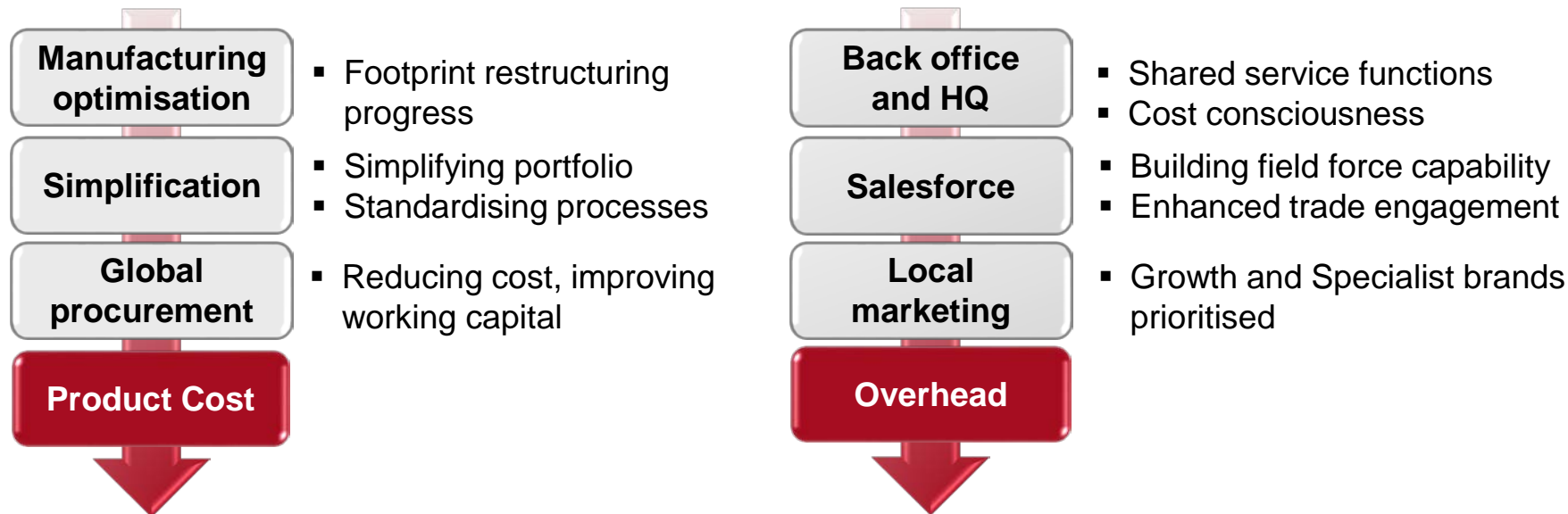
## strong start for ITG Brands

	FY15	FY14 <sup>R</sup>	Actual Δ	Constant FX Δ	Underlying Δ
Volume (bn SE)	13.2	9.1	+45%		+51%
Tobacco net revenue (£m)	707	507	+39%	+30%	+39%
Adjusted operating profit (£m)	375	236	+59%	+47%	
Market share (%)	9.5	N/A			

- USA Gold continued progress in focus States, national share stable
- Acquired assets performing in line with expectations
- Revised strategy for mass market cigars finalised
- USA profits > 20% of total group going forward

# Driving Cost Optimisation

funding investment, expanding margins



- £85m delivered in FY15, over £175m to date; £55m planned for FY16
- On track for £300m p.a. by 2018 – identifying further opportunities

# Greater Capital Discipline

clear objectives for cash

## Sources of Cash

Cash flow from operations

Working capital efficiency

Effective asset  
management

Clearly  
defined  
priorities

## Uses of Cash

Investment in strongest  
brands & key markets

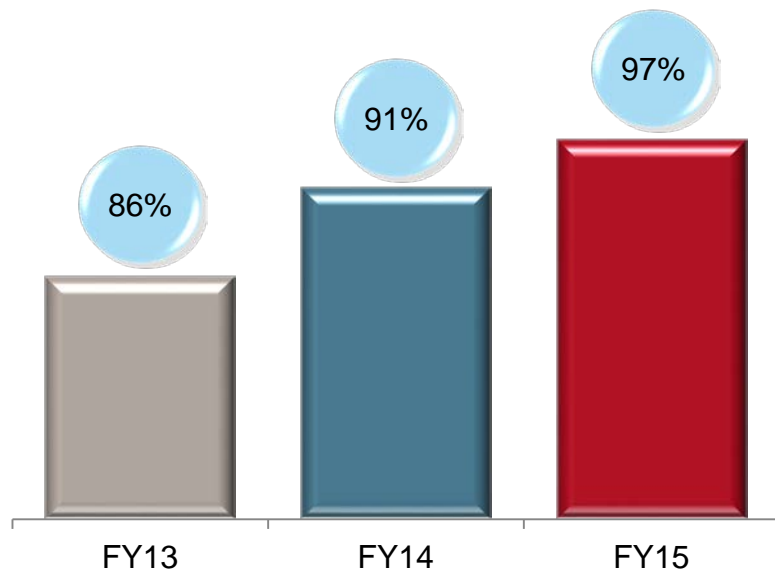
Dividend growth of  
at least 10%

Reduction of net debt



# Higher Cash Conversion

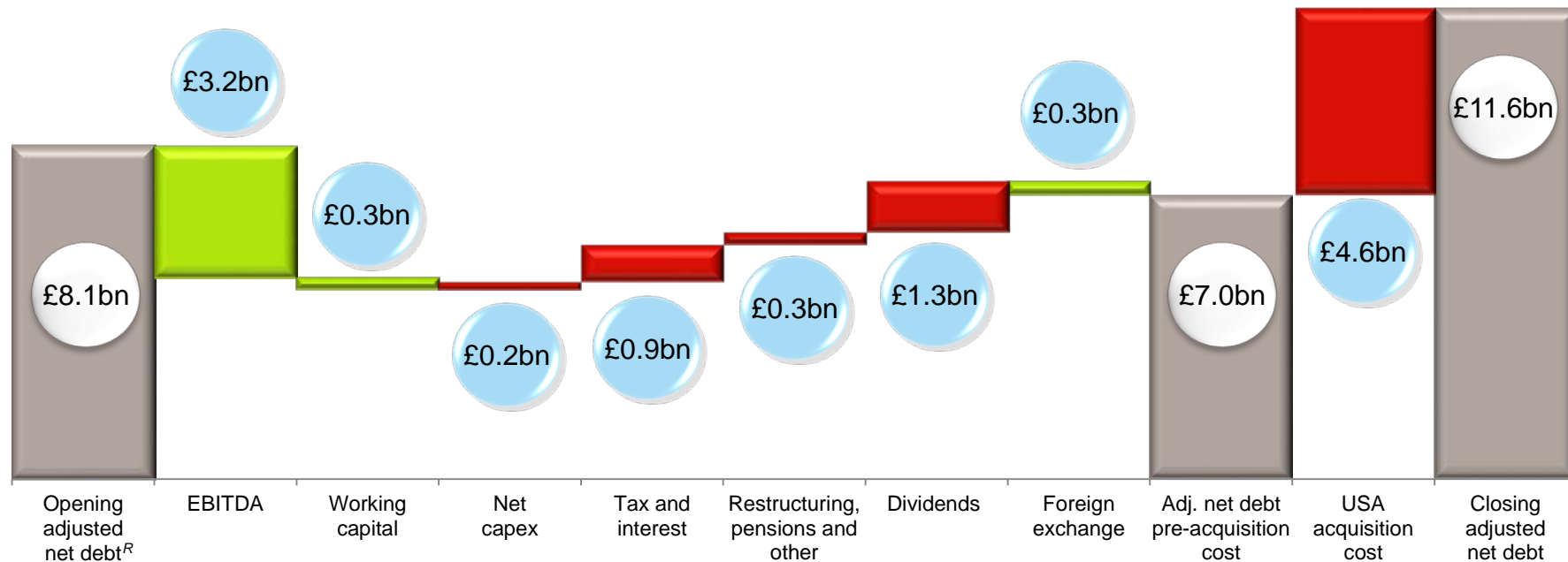
continued good progress



- Managing all aspects of working capital
- Reduction in leaf inventory
- EUTPD impact in FY16
- Continue to target conversion > 90%

# Strengthening Balance Sheet

£1.1bn reduction in like for like debt



<sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives

# Financial Summary and FY16

supporting dividend growth of at least 10%

Investment in brands and footprint  
strengthens revenue



Efficiencies support investment and  
margin development



Working capital discipline supports  
cash generation



Stronger balance sheet supporting  
dividend growth



# **Alison Cooper**

Chief Executive

# Delivering on our Priorities

strengthening business, improving quality of growth

Dividend up 10% to 141.0p

## Strengthen Portfolio

- ✓ Quality of revenue further improved; Growth & Specialist Brands 57% of net revenue
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- ✓ Positive progress in Returns Markets
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# Strengthening our Portfolio

further migrations success

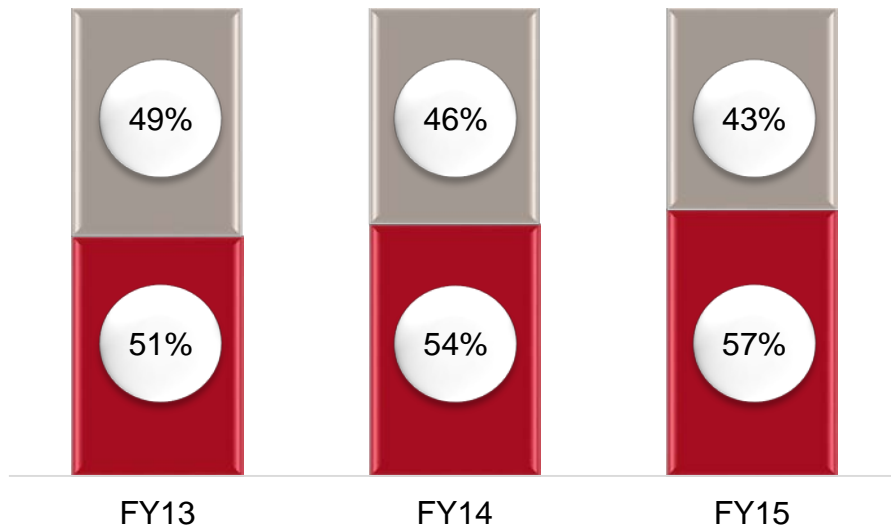


- High consumer retention rates
- 21 migrations complete; 20 in progress
- Growing share of Growth Brands
- Q1 +70bps, H1 +90bps, FY +110bps

# Strengthening our Portfolio

improved quality of revenue

■ Growth and Specialist Brands   ■ Portfolio Brands



- Continuing to improve quality of growth
- Simplicity and standardisation drive focus and efficiency

# Strengthening our Portfolio

investing in fewer, bigger brands



West



GAULOISES



Davidoff  
CIGARETTES



JP



GOLDEN VIRGINIA





# Strengthening our Portfolio

developing new consumer experiences



Strong Brand  
Equity



Technical  
Knowhow



Footprint  
Priorities



Intellectual  
Property

# Developing our Footprint

building presence in Growth Markets



## Russia

- Leading in big box formats
- Maxim supports stable share
- Revenue and profits up



## Taiwan

- Increasing profitability
- Davidoff growth; equity and innovation focus
- Addressing West momentum



## Norway

- Skruf slim momentum
- Further share gains
- Strong profit growth



## Japan

- Investment focus
- Growing capability and distribution
- West growing share



## Saudi Arabia

- Davidoff equity investment
- Consistent share growth
- Profits up in a growing market

# Developing our Footprint

positive performance in Returns Markets



## UK

- Investing in sub economy share growth
- Cigarette share stabilised
- Stronger portfolio



## Germany

- Excellent revenue and profit performance
- Stable market; positive pricing
- JPS and Gauloises initiative focus



## Australia

- Further improving profitability
- Share growth
- No.1 brands in cigarette and fine cut



## Spain

- Migrations strengthen portfolio
- Profits stabilised



# David Taylor

Chief Executive – ITG Brands

# Developing our Footprint

strong start for ITG Brands



Pre completion measured as average three months SPOT share Mar'15-May'15. Post completion is average SPOT share for Jun'15-Aug'15

# Developing our Footprint

focused portfolio investment



Premium



Discount

- Investing in 4 key cigarette brands
- Winston in all states
- Selected state focus for others
- Revised mass market cigar approach

# Developing our Footprint

all integration activities on track



- Experienced team driving business
- Sales territories completely redesigned
- Manufacturing transition running smoothly
- Expect complete equipment migration by Dec'16
- Evaluating options for footprint
- Wind-down of Commonwealth Altadis largely complete
- New commercial programs live in 2 weeks



**Alison Cooper**

Chief Executive



# Evolving our Operating Model

embedding new ways of working

## Simplification

- Portfolio
- SKUs
- Bills of materials
- Processes

## Focus

- Key brand equities
- Strategic footprint priorities
- Cost allocation
- Capital discipline

## Effectiveness

- Value chain opportunities
- Global procurement
- Operations excellence
- Customer engagement

# Our Priorities for FY16

Deliver at least 10% increase in dividend

## Strengthen Portfolio

- Further portfolio simplification
- Build on migration success
- Invest in Growth and Specialist Brands
- e-vapour / blu development

## Develop Footprint

- Build on Growth Market opportunities
- Drive profitability in key Returns Markets
- Deliver benefits from USA assets

## Cost Optimisation

- Deliver £55m in FY16
- Focus on further operating efficiencies
- Drive benefits from evolution of operating model

## Capital Discipline

- Maintain cash conversion discipline
- Further improve capital deployment
- Ongoing debt reduction



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Imperial Tobacco Group PLC

3 November 2015



# Appendices



# Group Financials

# Group Adjusted Results

	FY14 <sup>R</sup>	Foreign Exchange	Constant Currency Growth	FY15	Δ	Constant Currency Δ
Tobacco net revenue (£m)	6,421	(447)	277	6,251	-2.6%	+4.3%
Logistics distribution fees (£m)	838	(78)	(11)	749	-10.6%	-1.3%
Tobacco operating profit (£m)	2,805	(115)	205	2,895	+3.2%	+7.3%
Tobacco margin (%)	43.7			46.3	+260 bps	
Logistics operating profit (£m)	166	(16)	4	154	-7.3%	+2.4%
Logistics margin (%)	19.8			20.6%	+80 bps	
Eliminations (£m)	10			4		
Group operating profit (£m)	2,981	(131)	203	3,053	+2.4%	+6.8%

# Underlying Results

	FY15 $\Delta$	Excluding Iraq and Syria $\Delta$
Volume (bn SE)	-5.6%	-2.2%
Tobacco net revenue (£m)	+3.1%	+4.9%
Growth Brand volume (bn SE)	+7.1%	+13.9%
Growth Brand tobacco net revenue	+11.7%	+14.9%
Specialist Brand tobacco net revenue	-0.7%	+2.9%
Growth Market volume (bn SE)	-17.6%	-9.2%
Growth Market tobacco net revenue	-2.5%	+4.5%

*bn SE is billion stick equivalent; all volume is on an underlying basis. Net revenue is at constant currency and on an underlying basis. Underlying measures exclude the impact of last years stock optimisation programme, but include the impact of the USA acquisition; †*

# Logistics

delivering further growth in profits

	FY15	FY14 <sup>R</sup>	Actual Δ	Constant Foreign Exchange Δ
Distribution fees (£m)	749	838	-10.6%	-1.3%
Adjusted operating profit (£m)	154	166	-7.3%	2.4%
Margin (%)	20.6	19.8	+80 bps	+70 bps

- Efficiencies and price increases mitigate tobacco volumes
- Pharma and transport performing strongly
- Operating profit up 2%



# Group Adjusted Results

£m	FY15	FY14 <sup>R</sup>
Group adjusted operating profit	3,053	2,981
Interest	(467)	(515)
Share of profit of JVs	29	29
Profit before tax	2,615	2,495
Tax rate %	20.7	20.9
Adjusted EPS (p)	212.5	203.4
DPS (p)	141.0	128.1
Cash conversion (%)	97	91
Adjusted net debt (£m)	(11,646)	(8,112)

# Reconciliation: Reported to Adjusted

£m	Reported FY15	Acquisition costs	Amortisation of acquired intangibles	Fair value gains / losses on financial instruments	Post employment net financing	Re-structuring costs	Tax on unrecognised losses	Adjusted non-controlling interests	Adjusted FY15
Operating profit	1,988	40	697			328			3,053
Share of profit of JV	29								29
Finance costs	(261)			(226)	20				(467)
Profit before tax	1,756	40	697	(226)	20	328	-	-	2,615
Tax	(33)		(149)	11	(6)	(91)	(273)		(541)
Profit after tax	1,723	40	548	(215)	14	237	(273)	-	2,074
Minority interest	(32)							(16)	(48)
Earnings attributable	1,691	40	548	(215)	14	237	(273)	(16)	2,026
Basic EPS (p)	177.4 p	4.2 p	57.5 p	(22.7) p	1.5 p	24.9 p	(28.6) p	(1.7) p	212.5 p

# Income Statement

£m	FY15	FY14 <sup>R</sup>
Revenue	25,289	26,460
Adjusted operating profit	3,053	2,981
Amortisation and impairment of acquired intangibles	(697)	(644)
Restructuring costs	(328)	(305)
Acquisition costs	(40)	(13)
Share of profit of investments accounted for using the equity method	29	49
Net finance costs*	(261)	(543)
Profit before tax	1,756	1,525
Tax	(33)	(80)
Profit after tax	1,723	1,445
Minority interests	(32)	(23)
Basic EPS (p)	177.4 p	148.5
Adjusted EPS (p)	212.5 p	203.4

\*Including net fair value and exchange losses on financial instruments and post-employment benefits net financing costs; Basis of results presentation can be found on slide 66; <sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives

# Balance Sheet

£m		FY15	FY14 <sup>R</sup>
Non-current assets: tangible		3,976	3,374
	intangible	18,690	15,334
Current assets:	inventories	2,842	2,875
	other	4,626	4,308
Current liabilities		(9,141)	(7,735)
Non-current liabilities		(15,297)	(12,693)
Net assets		5,696	5,463

# Cash Flow

£m	FY15	FY14 <sup>R</sup>
Cash flows from operating activities pre tax	3,155	2,953
Tax paid	(408)	(451)
Cash flows from operating activities	2,747	2,502
Net capex	(184)	(237)
Logista IPO	-	395
Purchase of IP	(4,613)	(46)
Employee Share Ownership Trust	7	4
Share buy backs	-	(341)
Dividends paid (inc. minority interests)	(1,301)	(1,165)
Repayment of loan to JVs	-	52
Net interest paid	(449)	(533)
Net cash flow	(3,793)	631
Opening net debt	(8,526)	(9,493)
Closing net debt before non-cash movements	(12,319)	(8,862)
Non-cash movements		
Exchange movement	(20)	320
Interest accretion and derivative fair value adjustments	389	16
Closing net debt after non-cash adjustments	(11,950)	(8,526)

Basis of results presentation can be found on slide 66; <sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives

# Cash Conversion

£m	FY15	FY14 <sup>R</sup>
Net cash flow from operating activities	2,747	2,502
Tax	408	451
Net capex	(184)	(237)
Cash flow post capex pre interest and tax	2,971	2,716
Adjusted operating profit	3,053	2,981
<i>Cash conversion (%)</i>	97.3	91.1
Working capital inflow/(outflow)	328	121

# Net Finance Costs

£m	FY15	FY14 <sup>R</sup>
Net finance costs	261	543
Adjusted for:		
- interest income on net defined benefit assets	138	138
- interest cost on net defined benefit liabilities	(157)	(174)
- unwind of discount on redundancy and long term provisions	(1)	(4)
- exchange gains/(losses)	226	12
Adjusted net finance costs	467	515

# Net Debt Reconciliation

£m	Reported FY15	Accrued interest	Fair value of derivatives	Adjusted FY15
Opening net debt <sup>R</sup>	(8,526)	280	134	(8,112)
Free cash flow	(2,492)			(2,492)
Dividends	(1,301)			(1,301)
Accretion of interest	1	(1)		-
Change in fair values	388		(109)	279
Exchange movements	(20)			(20)
Closing net debt	(11,950)	279	25	(11,646)



# Foreign Exchange

	Average			Closing		
	FY14	FY15	Change	FY14	FY15	Change
USD \$	1.6567	1.5449	7%	1.6188	1.5170	6%
EURO €	1.2213	1.3483	-10%	1.2865	1.3541	-5%
AUD \$	1.8003	1.9716	-10%	1.8580	2.1583	-16%
Russian Rouble	57.5509	87.6300	-52%	64.023	99.1762	-55%

- Foreign exchange ready reckoner FY16:
  - ♦ €0.01 (1 cent) movement in the € Euro has c. £25m impact on net revenue and c.£10m impact on PBT
  - ♦ \$0.01 (1 cent) movement in the \$ USD has a c. £15m impact on net revenue and c. £6m impact on PBT

# Foreign Exchange

Net Revenue Approximate weight of currency	GBP £	Eur € or Eur linked	USD \$	Other	Others include
Returns Markets North	30%	50%		20%	Australian \$ and Ukraine Hryvnia
Returns Markets South		100%			
Growth Markets		20%	50%	30%	Russian Rouble and Taiwan \$
USA			100%		
Logistics		100%			

Adjusted Operating Profit Approximate weight of currency	GBP £	Eur € or Eur linked	USD \$	Other	Others include
Returns Markets North	40%	40%		20%	Australian \$ and Ukraine Hryvnia
Returns Markets South		100%			
Growth Markets			70%	30%	Russian Rouble and Taiwan \$
USA			100%		

# FY16 Guidance

## financial items

- Group tax rate – expected to be around 20%
- Average cost of finance – broadly similar to FY15
- Cash conversion – in excess of 90%
- Restructuring costs – c.£300m P&L and cash costs
- Foreign Exchange – based on current rate of exchange expect EPS translation impact of 2%



# Divisional Financials

# Total Tobacco Volume



bn SE*	FY15	FY14 <sup>R</sup>	Actual Δ	Underlying Δ
Growth Markets	86.5	97.4	-11.1%	-17.6%
Returns Markets North	102.8	103.6	-0.8%	-0.9%
Returns Markets South	82.6	84.3	-2.1%	-2.6%
Total Returns Markets	185.4	187.9	-1.3%	-1.7%
USA	13.2	9.1	+45.2%	+50.9%
Total Group	285.1	294.4	-3.1%	-5.6%

\* bn SE is billion stick equivalent; Total Tobacco includes cigarettes, fine cut tobacco, cigar, snus and other tobacco products. USA volume includes 5bn SE relating to acquisition which completed 12 June 2015; <sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives

# Total Growth Brand Volume



bn SE*	FY15	FY14 <sup>R</sup>	Actual Δ	Underlying Δ
Growth Markets	46.4	50.9	-8.9%	-16.0%
Returns Markets North	54.4	46.0	+18.3%	+17.7%
Returns Markets South	41.2	31.0	+32.9%	+31.8%
Total Returns Markets	95.6	77.0	+24.2%	+23.4%
USA	3.1	3.1	-1.7%	+10.1%
Total Group	145.1	131.0	+10.7%	+7.1%

\* bn SE is billion stick equivalent; Total Tobacco includes cigarettes, fine cut tobacco, cigar, snus and other tobacco products; <sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives

# Tobacco Net Revenue

£m	Actual <sup>1</sup>	FY15 Foreign Exchange	Constant Currency <sup>2</sup>	FY14 <sup>R</sup>	% Change Constant Currency	% Change Underlying
Growth Markets	1,449	(128)	64	1,513	+4.2%	-2.5%
Returns Markets North	2,649	(230)	78	2,801	+2.8%	+2.8%
Returns Markets South	1,446	(137)	(17)	1,600	-1.1%	-1.9%
Total Returns Markets	4,095	(367)	61	4,401	+1.4%	+1.1%
USA	707	48	152	507	+30.0%	+39.4%
Total Tobacco	6,251	(447)	277	6,421	+4.3%	+3.1%

<sup>1</sup>Based on average exchange rates for twelve months ended 30 September 2015; <sup>2</sup>Assumes that average exchange rates in FY15 were the same as in FY14; <sup>R</sup> Restated for the adoption of IFRS11: Joint Arrangements; <sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives

# Tobacco Adjusted Operating Profit

£m	Actual <sup>1</sup>	FY15 Foreign Exchange	Constant Currency <sup>2</sup>	FY14 <sup>R</sup>	% Change Constant Currency
Growth Markets	409	11	64	334	+19.0%
Returns Markets North	1,475	(96)	60	1,511	+4.0%
Returns Markets South	636	(58)	(30)	724	-4.2%
Total Returns Markets	2,111	(154)	30	2,235	+1.3%
USA	375	28	111	236	+47.2%
Total Tobacco	2,895	(115)	205	2,805	+7.3%

<sup>1</sup>Based on average exchange rates for twelve months ended 30 September 2015; <sup>2</sup>Assumes that average exchange rates in FY15 were the same as in FY14; <sup>R</sup> Restated for the adoption of IFRS11: Joint Arrangements; <sup>R</sup> See slides 67-68 for details of restatements made to FY14 comparatives



# Returns Markets North

	FY15	FY14	Actual Δ	Constant FX Δ	Underlying Δ
Market share (%)	25.0	24.8	+20 bps		
Net revenue per '000 SE (£)	25.8	27.0	-4.7%	+3.6%	+3.7%
Adjusted operating profit (£m)	1,475	1,511	-2.4%	+4.0%	
Growth Brands % tobacco net revenue	53.6	46.7	+690 bps		

# Returns Markets South

	FY15	FY14 <sup>R</sup>	Actual Δ	Constant FX Δ	Underlying Δ
Market share (%)	28.0	28.8	-80 bps		
Net revenue per '000 SE (£)	17.5	19.0	-7.7%	+1.0%	+0.8%
Adjusted operating profit (£m)	636	724	-12.2%	-4.2%	
Growth Brands % tobacco net revenue	46.0	37.1	+890 bps		

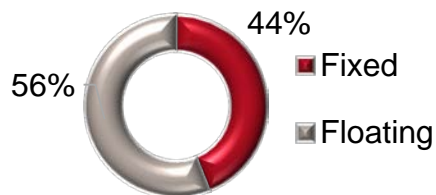


# Financing

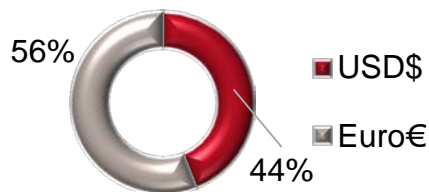
# Financial Profile

30 September 2015

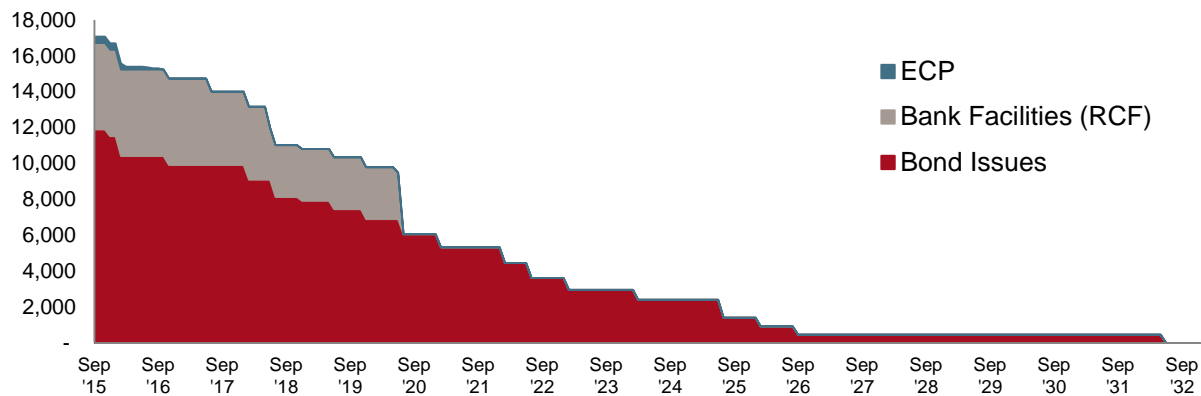
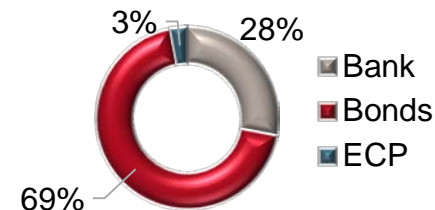
Interest Split



Currency Split



Debt Split



- £4.8bn<sup>1</sup> headroom against facilities

<sup>1</sup> Prior to repayment and cancellation of \$750m of facilities which happened after 30 September 2015; Fixed/floating interest split increased to c.70%/30% after 30 September 2015

# Committed Bank Facilities

30 September 2015



Description	Maturity date	Amount	£m equiv.
USD Committed 3 Year B Term Loan Acquisition Facility <sup>1</sup>	Jul-18	\$1,500m	£989m
USD Committed 5 Year C Term Loan Acquisition Facility <sup>1</sup>	Jul-20	\$450m	£297m
Committed 3 Year Revolving Credit Facility A <sup>2</sup>	Jul-17	€1,000m	£738m
Committed 5 Year Revolving Credit Facility B	Jul-20		
EUR tranche		€2,835m	£2,094m
GBP tranche		£500m	£500m
Committed 3 Year Term Loan Facility	Jun-18	\$300m	£198m
<b>Total</b>			<b>£4,816m</b>

<sup>1</sup> Facility runs from the date of completion of USA acquisition (12 June 2015) <sup>2</sup> 1.5 year facility with three 0.5 year extension periods at Imperial's option. All facilities are at competitive margins, and there are margin step-ups and utilisation fees applicable to certain tranches. This is presented pre-cancellation of \$750m of facilities which happened after 30 September 2015.

# Bond Issues

## 30 September 2015

Amount	Issuer	Coupon	Issue Date	Maturity Date	£m equiv.	Margin
€500m	Altadis Emisiones Financieras SAU	4.000%	Dec-05	Dec-15	£369m	1.1%
€1,500m	Imperial Tobacco Finance PLC	8.375%	Feb-09	Feb-16	£1,108m	5.0%
£450m	Imperial Tobacco Finance PLC	5.500%	Nov-06	Nov-16	£495m <sup>1</sup>	0.6% <sup>1</sup>
\$1,250m	Imperial Tobacco Finance PLC	2.050%	Feb-13	Feb-18	£824m	1.1%
€850m	Imperial Tobacco Finance PLC	4.500%	Jul-11	Jul-18	£628m	1.7%
\$500m	Imperial Tobacco Finance PLC	2.050%	Jul-15	Jul-18	£330m	1.0%
£200m	Imperial Tobacco Finance PLC	6.250%	Dec-03	Dec-18	£216m <sup>1</sup>	1.1% <sup>1</sup>
£500m	Imperial Tobacco Finance PLC	7.750%	Jun-09	Jun-19	£471m	3.7% <sup>1</sup>
€750m	Imperial Tobacco Finance PLC	5.000%	Dec-11	Dec-19	£554m	2.6%
\$1,250m	Imperial Tobacco Finance PLC	2.950%	Jul-15	Jul-20	£824m	1.4%
€1,000m	Imperial Tobacco Finance PLC	2.250%	Feb-14	Feb-21	£738m	1.1%
£1,000m	Imperial Tobacco Finance PLC	9.000%	Feb-09	Feb-22	£880m <sup>1</sup>	5.0% <sup>1</sup>
\$1,250m	Imperial Tobacco Finance PLC	3.750%	Jul-15	Jul-22	£824m	1.8%
\$1,000m	Imperial Tobacco Finance PLC	3.500%	Feb-13	Feb-23	£659m	1.1%
£600m	Imperial Tobacco Finance PLC	8.125%	Sep-08	Mar-24	£570m	3.1% <sup>1</sup>
\$1,500m	Imperial Tobacco Finance PLC	4.250%	Jul-15	Jul-25	£989m	2.0%
€650m	Imperial Tobacco Finance PLC	3.750%	Feb-14	Feb-26	£480m	1.5%
£500m	Imperial Tobacco Finance PLC	5.500%	Sep-11	Sep-26	£475m	2.7% <sup>1</sup>
£500m	Imperial Tobacco Finance PLC	4.875%	Feb-14	Jun-32	£462m <sup>1</sup>	2.1% <sup>1</sup>
<b>Total/Weighted Average Margin</b>					<b>£11,896m<sup>1</sup></b>	<b>2.3%<sup>1</sup></b>

<sup>1</sup> Including the effect of cross currency swaps



# Other Information

# Glossary

SE	Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes.
Constant Currency	Change at constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations.
Underlying	Underlying additionally (to constant currency) removes the impact of the stock optimisation programme which reduced trade inventories in a number of markets largely in FY14.
Total Tobacco	Total Tobacco includes cigarettes, fine cut tobacco, cigar, snus and other tobacco products.
Growth Brands	Our Growth Brands are Davidoff, Gauloises Blondes, JPS, West, Fine, News, USA Gold, Bastos, Lambert & Butler and Parker & Simpson.
Specialist Brands	Our Specialist Brands are Style, Gitanes, Golden Virginia, Drum, Route 66, Cohiba, Montecristo, Romeo Y Julieta, Backwoods, Skruf and Rizla.
Portfolio Brands	Portfolio Brands are a mix of local and regional brands that fulfil a variety of roles.
Growth Markets	Growth Markets include selected markets in the EU, Eastern Europe, Asia, the Middle East and the USA. We typically have shares below 15 per cent in these markets and prioritise long-term share and profit growth.
Returns Markets	Returns Markets are split into North and South and include Australia and markets in the EU, Eastern Europe and Africa. We tend to have shares above 15 per cent in these markets and prioritise profit growth, whilst actively managing our strong share positions.
Fontem Ventures	Fontem Ventures is our non-tobacco subsidiary focused on developing new opportunities for sustainable revenue growth.
Logista	Logista is a 70% owned subsidiary and publicly listed on the Spanish stock exchanges. It is one of the largest logistics businesses in Europe, with operations extending across Spain, France, Italy, Portugal and Poland.



# Main Market Classifications

Growth Markets	Returns Markets North	Returns Markets South
Cambodia	Australia	Algeria
China	Azerbaijan	Austria
Iraq	Belux	Czech Republic
Italy	Germany	France
Japan	Ireland	Hungary
Russia	Netherlands	Morocco
Saudi Arabia	New Zealand	Portugal
Taiwan	Poland	Spain
Turkey	UK	Tunisia
Vietnam	Ukraine	

# Basis of Results Presentation

## **Use of Adjusted Measures**

Management believes that non-GAAP or adjusted measures provide a useful comparison of business performance and reflect the way in which the business is controlled. Accordingly, adjusted measures of operating profit, net finance costs, profit before tax, taxation, attributable earnings and earnings per share exclude, where applicable, acquisition costs, amortisation and impairment of acquired intangibles, restructuring costs, post-employment benefits net financing cost, fair value and exchange gains and losses on financial instruments and related taxation effects and significant one-off tax provision charges or credits arising from the resolution of prior year tax matters. Reconciliations between adjusted and reported measures are included in our published financial statements. Adjusted measures are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

Imperial Tobacco also uses the following non-GAAP measures in presenting its results:

## **Net Revenue**

Net revenue comprises the Tobacco business revenue less associated duty and similar items less revenue from the sale of peripheral and non-tobacco related products. Management considers this an important measure in assessing the performance of Tobacco operations.

## **Distribution Fees**

Distribution fees comprises the Logistics segment revenue less the cost of distributed products. Management considers this an important measure in assessing the performance of Logistics operations.

## **Adjusted Net Debt**

Management monitors the Group's borrowing levels using adjusted net debt which excludes interest accruals, the fair value of derivative financial instruments providing commercial cash flow hedges.

# Restatement of Prior Periods

FY14 disclosures have been restated due to a number of changes occurring during the financial year, as detailed.

## **Adoption of IFRS11: Joint Arrangements**

IFRS 11 Joint Arrangements came into effect for the Group from 1 October 2014. As a result of this Joint Ventures are now accounted for under the equity method. Profit and loss items from joint ventures are shown in the consolidated income statement below net finance costs as "share of investments accounted for using the equity method". Similarly, the asset and liability amounts are classified as "Investments accounted for using the equity method".

## **The FY14 balances have been restated to reflect the adoption of IFRS11 on opening balances.**

The key disclosures in this presentation that have been restated are:

- Revenue (Group / Tobacco Total / Tobacco Growth Market / Logistics Distribution Fees)
- Operating Profit – Reported and Adjusted (Group / Total Tobacco / Tobacco Growth Market)
- Operating Margin – Reported and Adjusted (Group / Total Tobacco / Tobacco Growth Market / Logistics)
- Net Debt – Reported and Adjusted
- Net Finance Costs – Reported and Adjusted
- Tax – Reported and Adjusted
- Interest Costs – Reported
- Profit before Tax – Reported and Adjusted
- Cash Conversion
- Minority Interests
- Balance Sheet Items – Reported (as disclosed in detail in the full financial statements) s for current and prior periods.

# Restatement of Prior Periods

## **Market Reclassifications**

In FY15 four markets (Slovenia, Kosavo, Macedonia and Albania) have been reclassified from Returns Market South to Growth Markets. The FY14 disclosures have been restated to reflect the movement of these markets.

## **Separate Disclosure of the USA Division**

Following the USA acquisition from Reynolds during the year, the USA division is a material market for the Group and is now disclosed separately from Growth Markets. The FY14 disclosures for Growth Markets have been restated to exclude the USA division, and is it shown separately.

## **Market Share Calculation**

Market share is presented as a 12 month average (MAT). Aggregate market share is a weighted average across markets within our footprint. The aggregate market share calculation for FY15 has been updated to include Egypt, and prior periods have been restated for comparability. In addition, the market reclassification noted above has been reflected in the aggregate market share calculations for current and prior periods.

# Contacts

## Investor Relations

### **Peter Durman**

Director of Investor Relations

[peter.durman@uk.imptob.com](mailto:peter.durman@uk.imptob.com)

Tel: +44 (0) 117 933 7395

### **Matt Sharff**

Investor Relations Manager

[matt.sharff@uk.imptob.com](mailto:matt.sharff@uk.imptob.com)

Tel: +44 (0) 117 933 7396

### **Jo Brewin**

Investor Relations Manager

[jo.brewin@uk.imptob.com](mailto:jo.brewin@uk.imptob.com)

Tel: +44 (0) 117 933 7549