

8 October 2020

**Update from Stefan Bomhard, CEO**

*Imperial has continued to show resilience in adapting to the challenges posed by the COVID-19 pandemic and our priority remains the health, safety and well-being of our people across our operations.*

*"In my first three months as CEO I have focused on reviewing our strategy, engaging with employees, and visiting as many of our key markets as possible. I have been struck by the energy and passion of my colleagues, which increases my confidence in our ability to deliver a stronger performance in the years ahead. I expect to be able to share some initial observations about the business when we publish our preliminary results on 17 November, at which time we will also announce the date of a capital markets event to provide a strategic update in the first quarter of calendar 2021."*

As well as leading the Group's strategic review, Stefan has strengthened his Executive Committee with some external hires to bring in fresh perspectives and ensure we have the right skills to take the business forward. Complementing existing Divisional Directors Dominic Brisby and Joerg Biebnick, Chief Financial Officer Oliver Tant, and Manufacturing and Supply Chain Director Walter Prinz, Imperial's senior leadership team includes the following new appointments:

- Murray McGowan has been appointed Group Strategy and Transformation Director. Murray has a strong background in strategy gleaned from his time at McKinsey, Whitbread, The Restaurant Group and Yum! Brands.
- Alison Clarke has been appointed Chief People and Culture Officer. Alison was previously Chief Human Resource Officer at Inchcape, with responsibility for all aspects of people and culture strategies.
- Javier Huerta has been appointed Group Manufacturing and Supply Chain Director and will succeed Walter Prinz when he retires. Javier is currently Executive Vice President Supply Chain for Foods and Refreshment at Unilever and will join Imperial in the coming weeks.

As previously announced, the Company is currently searching for a new Chief Financial Officer, following Oliver Tant's decision to retire.

**Full Year Trading Update**

The tobacco business has continued to perform well despite an uncertain and disrupted trading environment. We have experienced some COVID-related changes in consumer behaviour with increased overall demand against our expectations, as consumers appear to have allocated more of their spend to tobacco, as well as some demand shifts between different markets and channels. This has resulted in better than expected volumes, driven by improved volume trends in several key European markets and in the US. These positive trends have helped to offset relatively weaker market volumes in the duty free channel and in some traditional summer tourist destinations, where reduced travel has impacted demand. Overall, we expect tobacco net revenue to increase by around 1% at constant currency.

The focus in NGP has been on improving performance, returns and capabilities. As previously announced, we have significantly reduced investment while maintaining a range of options for future growth. Trading has been disappointing, albeit in line with our revised expectations with the level of underlying losses reduced in the second half as we curtailed expenditure. NGP net revenue is expected to be around 30% lower than last year at constant currencies.

Group net revenue performance is slightly ahead of the guidance provided at our half year results, and is expected to be broadly flat on last year at constant currencies. However, as highlighted in our half year results, we have incurred some additional manufacturing costs caused by the COVID-related restrictions. In addition, given the ongoing COVID-related uncertainties, we have increased our provisions, mainly in respect of stock and debtor positions. As a result, we expect constant currency earnings per share will be down by around 6%, in line with current market expectations.

At the year-end closing rates, foreign exchange translation was a c. 1% headwind to full year earnings per share.

### **Cash**

We expect underlying cash conversion will be ahead of our original expectations driven by a continued focus on all aspects of cash management, with some additional upside at Logista due to some COVID-related changes in the timing of excise duty payments. Cash generation has also benefited from lower capex and restructuring charges as a result of some COVID-related delays in certain cost optimisation projects, which we now expect to complete in FY21. The divestment of the Premium Cigars business is on track to complete on 29 October with the second non-refundable down payment of €85.7m having been received in line with our recent announcement.

ENDS

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