



# Annual General Meeting 2015

Imperial Tobacco Group PLC

28 January 2015



# Mark Williamson

Chairman

# A Reminder of our Strategy

four operational priorities; one strategic objective

Maximise sustainable shareholder returns

Quality growth

## Strengthen Portfolio

- Simplify portfolio
- Invest in global brands
- Drumbeat of initiatives
- Fontem Ventures

## Develop Footprint

- Focus on opportunities to grow share in Growth Markets
- Balanced approach in Returns Markets

## Drive Cost Optimisation

- Optimised manufacturing
- Reduced brand tail
- Global procurement
- Overhead reduction

## Embed Capital Discipline

- Target cash conversion
- Working capital efficiency
- Focus on 'core' assets
- Reduce net debt

# FY14: Driving strategy forward

a strong foundation for growth

10% increase in full year dividend to 128.1p

## Strengthen Portfolio

- ✓ More revenue from brands with strongest equity
- ✓ Successful brand migration programme underway
- ✓ Stock optimisation removed 9bn SE
- ✓ Fontem: Puritane launched

## Develop Footprint

- ✓ Resilient in Returns Markets: profit +1%<sup>1</sup>
- ✓ Growth market net revenue +7%<sup>1</sup>
- ✓ Presence in new markets
- ✓ US deal strengthens competitive position & improves income diversity

## Cost Optimisation

- ✓ More than £60m savings delivered in FY14
- ✓ Continuing to embed disciplined approach

## Capital Discipline

- ✓ Cash conversion improvement from 86% to 91%
- ✓ Divestment of Logista releases £0.4bn from non core asset
- ✓ Significant net debt reduction of £1bn

<sup>1</sup> Profit progression is at constant currency. Net revenue progression is at constant currency and underlying (excluding stock optimisation)



# Alison Cooper

Chief Executive

# Underlying Performance

	HY 14 $\Delta$	FY 14 $\Delta$
Volume (bn SE)	-4%	-4%
Tobacco net revenue (£m)	+2%	+2%
Growth Brand volume (bn SE)	+4%	+7%
Growth Brand tobacco net revenue (£m)	+6%	+9%
Specialist Brand tobacco net revenue (£m)	+6%	+2%
Growth Market tobacco net revenue (£m)	+7%	+7%
Returns Market tobacco net revenue (£m)	-	-1%

*bn SE is billion stick equivalent; all volume is underlying (excluding stock optimisation). Net revenue is at constant currency and underlying (excluding stock optimisation)*

# Strengthening our Portfolio

## Growth Brands



# Strengthening our Portfolio

## Specialist Brands



# Brand Migrations

good early results – more to come 2015



Czech  
Moon to Parker & Simpson

- 22 started in FY14 (5 complete)
- Market by market approach
- More migrations in FY15
- Building a stronger portfolio



Spain  
Brooklyn to West

# Fontem Ventures

developing new consumer experiences



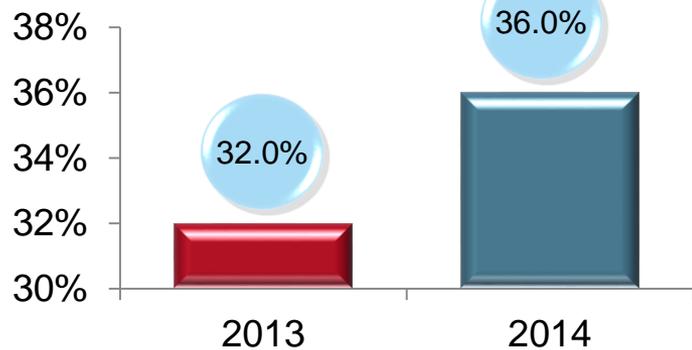
- Focused mainly on e-Vapour solutions
- First product Puritane launched in 2014
- Expect new Fontem products during 2015

# Developing our Footprint

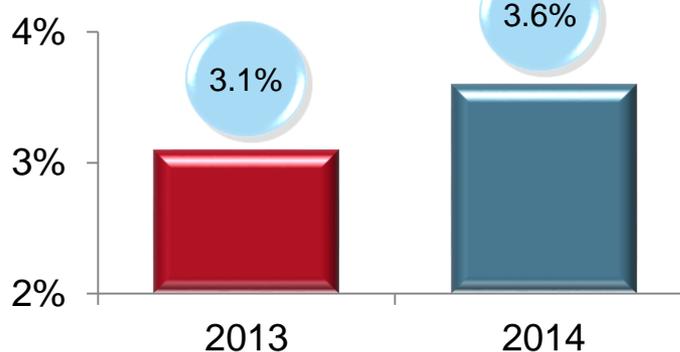
strengthening our position in Growth Markets



Norway



Italy



- Skruf now No.1 brand in Norway

- JPS driving growth

# Developing our Footprint

investing in Growth Markets



Egypt



- Significant market c.80bn SE
- Partnership with leading distributor
- Gauloises & Davidoff – focus on equity build
- Share now 0.6%



Japan



- Large consumer and profit pool
- Focus on convenience (c.60% of market)
- West now listed in all key accounts
- Latest share 0.7%

continuing to build equity and grow share



- USA Gold growing share in our 19 focus states
- H2 equity and awareness campaign
- USA Gold GlideTec pack now widely distributed
- Business continuing to grow profit

# Spain, Morocco and France

strengthening our position in Returns Markets



## Spain

- Early signs of lessening market decline
- Stabilisation in illicit
- Brand migrations strengthening portfolio



## Morocco

- Market decline driven by excise and illicit
- Launch of 'MQS' in FMC
- RYO/MYO launches establish FCT market



## France

- Structural decline of dark tobacco segment continues to impact performance
- Growth of Gauloises, News and JPS MYO contribute to stabilising FCT share

# UK, Australia



resilient performance



- Maintaining leadership position
- Trading environment competitive
- Downtrading still prevalent



strong financial performance



- JPS driving share growth
- Customer engagement has been key
- Illicit trade continuing to increase

# Cost and Cash Management

supports our growth strategy

- £300m savings pa by 2018
- Total of £90m delivered so far; £60m in 2014
- Further £85m expected in 2015
- 91% cash conversion, up from 86% in 2013
- Targeting sustained improvement across the Group

# Corporate Responsibility

- 94% score in Business in Community CR Index
- 74% score in Dow Jones Sustainability Index



# FY15 Outlook

focused and disciplined

Long standing 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 US 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

# Lao Tobacco Ltd



- Joint Venture agreement signed with the Lao Government in 2001
- Govt. benefits from 47% holding in the JV; excellent relationship
- No 'special tax deal'; excise on tobacco has not been capped for 25yrs
- Since 2002 Govt. revenues from tobacco excise have risen every year
- 2010 and 2011 increases raised excise on pack of cigarettes by 280%



# Annual General Meeting 2015

Imperial Tobacco Group PLC

28 January 2015

# Resolutions 1 - 4

	<b>For</b>	<b>Against</b>	<b>Abstentions</b>
Annual Report and Accounts	99.46%	0.01%	0.53%
Directors' Remuneration Report	93.32%	5.41%	1.27%
Directors' Remuneration Policy	92.43%	6.35%	1.22%
To declare a final dividend	99.46%	0.01%	0.53%

# Resolutions 5 - 13

<b>Director</b>	<b>For</b>	<b>Against</b>	<b>Abstentions</b>
Dr K M Burnett	99.10%	0.08%	0.82%
Mrs A J Cooper	99.39%	0.07%	0.54%
Mr D J Haines	98.63%	0.55%	0.82%
Mr M H C Herlihy	99.11%	0.08%	0.81%
Mr M R Phillips	98.72%	0.47%	0.81%
Mr O R Tant	98.45%	0.74%	0.81%
Mr M D Williamson	98.91%	0.27%	0.82%
Mrs K Witts	99.11%	0.08%	0.81%
Mr M I Wyman	99.10%	0.09%	0.81%

# Resolutions 14 - 17

	<b>For</b>	<b>Against</b>	<b>Abstentions</b>
Reappointment of Auditors	96.56%	1.51%	1.93%
Remuneration of Auditors	97.53%	1.24%	1.23%
Donations to political organisations	97.82%	0.89%	1.29%
Authority to allot shares	98.65%	0.80%	0.55%

# Special Resolutions 18 - 20

	<b>For</b>	<b>Against</b>	<b>Abstentions</b>
Disapplication of pre-emption rights	98.65%	0.52%	0.83%
Purchase of own shares	99.40%	0.06%	0.54%
Notice period for general meetings	88.28%	11.17%	0.55%



# Annual General Meeting 2015

Imperial Tobacco Group PLC

28 January 2015