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INTRODUCTION

Imperial is a better group today than it was a year ago.

There is proof of this on many fronts, not least in a stable operating profit performance despite a consistent deterioration of the business environment throughout the year. The group's ability to weather a R558 million fall in the profitability of our Vehicle Import, Distribution and Dealerships division due to rand weakness is quantitative evidence of generally improved strategic, operational and financial management.

Less visible to stakeholders are three qualitative improvements that are fast permeating the ethos of Imperial. The first is a quest for excellence in every facet of our endeavour – there is nothing in Imperial that cannot and must not be improved on. The second is increasing innovation in response to rapid external change – Imperial's formulae for past success are being continually challenged and where necessary substituted. The third is group-wide investment in the identification and development of executive talent – Imperial's performance and sustainability will be secured only by thoughtful leaders who can navigate the complexity and challenges of an increasingly global organisation.

ENVIRONMENT

In South Africa, which generated 63% and 68% respectively of Imperial's revenue and operating profit, the weak economic conditions resulted in softer demand for Imperial's products and services and aggressive competition on every front. Vehicle buyers were highly price sensitive, trading down to smaller or pre-owned vehicles, consumer goods volume growth was weak and bulk commodity volumes were in decline.

Our transport, distribution, consumer and pharmaceutical distributorship, and financial services businesses in the rest of Africa, which together generate 10% and 13% respectively of Imperial's group revenue and operating profit, showed comparatively higher growth, although off a lower base. Whereas the higher growth of African economies in recent years was muted by lower commodity prices and softer currencies, these factors had limited impact on our business in the rest of Africa during the year. The acquisitions made in strategic growth areas such as pharmaceuticals and fast moving consumer goods contributed significantly to overall performance.

In the Eurozone, weak volumes in the industries we serve particularly in Germany, exerted pressure on Imperial's volumes, rates and utilisation. The region, which includes the United Kingdom where Imperial performed well, accounted for 24% of group revenue and 18% of group operating profit.

PERFORMANCE

Despite the steady deterioration of trading conditions throughout the 2015 financial year, a marked improvement in second half performance and the acquisition of Pharmed, Imres and S&B Commercials, resulted in the Imperial Group achieving record revenue of R110,5 billion and record operating profit of R6,2 billion. Four of the Group's five divisions produced record revenues and operating profits.

A final cash dividend of 445 cents per share was declared, up 6%, resulting in a full-year dividend of 795 cents per share for 2015 compared to 820 cents per share in 2014.

GROUP HIGHLIGHTS

RECORD REVENUE OF
**R110,5
BILLION**

RECORD OPERATING PROFIT OF
**R6,2
BILLION**

STABLE OPERATING PROFIT
PERFORMANCE DESPITE
DETERIORATION OF BUSINESS
ENVIRONMENT

FOUR OF FIVE DIVISIONS PRODUCED
RECORD REVENUES AND
OPERATING PROFITS

GENERALLY IMPROVED
STRATEGIC, OPERATIONAL AND
FINANCIAL MANAGEMENT

GROUP-WIDE INVESTMENT IN
IDENTIFYING AND DEVELOPING
EXECUTIVE TALENT

i Detail and commentary on Imperial's financial position and performance is contained in the chief financial officer's report and on **pages 46 to 51**.

i Details on the divisional operating performance are contained in the segmental commentary of Imperial's five divisions on **pages 56 to 81**.

i The definition of Imperial Holdings' role is set out in our business model on **pages 8 and 9**.

These results reflect the progress made on Imperial's previously espoused intent to decouple the group's performance from the impact of rand weakness on directly imported vehicles. Progress towards this objective has been achieved by developing less correlated activities within the vehicles value chain, and by increasing non-vehicle and foreign revenues and operating profits.

Non-vehicle revenue and operating profit increased 8% to R48,9 billion (43% of group revenue) and 14% to R3,7 billion (59% of group operating profit) respectively. Foreign revenue increased 17% to R41,1 billion (37% of group revenue) and foreign operating profit increased 23% to R2 billion (32% of group operating profit). Rest of Africa revenue increased 50% to R11.2 billion (10% of group revenue) and operating profit increased 60% to R835 million (13% of group operating profit).

STRATEGY

Imperial's strategy is to drive growth and value creation through holding company (or parenting) interventions that enhance the ability of subsidiaries to compete and win in their chosen markets. Such interventions over the past year included: shaping Imperial's portfolio to achieve focused growth; raising, allocating and controlling capital for value accretion; ensuring strategic clarity at subsidiary level; and developing executive capability for performance and sustainability.

The results of recent years have proven that the Imperial Group's performance is materially undermined by the impact of a rapidly weakening rand on the profitability of directly imported vehicles. An overarching objective is therefore to decrease the correlation between rand volatility and performance, while increasing management's influence over Imperial's growth, returns and sustainability.

To this end, on 12 March 2015 the board approved "Imperial 2016 - 2019", a three-year strategy to create stakeholder value by achieving the following objectives:

- > Release capital and sharpen executive focus and return on effort, by disposing of assets that are non-core, strategically misaligned, underperforming or of low return on effort

- > Dilute the impact of rand volatility on the group by accelerating the organic and acquisitive growth of all businesses less currency sensitive than vehicle imports
- > Accelerate organic and acquisitive growth internationally, to counter the group's limited growth opportunities as a South African market leader in logistics and vehicles
- > Expand the strategic and leadership capabilities of Imperial's 150 most senior executives
- > Drive simplification, innovation, technological advantage and governance.

MATERIAL ISSUES

The core tenets of this strategy are reflected in five material issues that underpin the group's ability to deliver capability-based growth and focused value creation for Imperial's stakeholders in the medium term.

Driving focused growth

Our approach to growth is to build on and expand our capabilities to create shareholder value within our chosen lines of mobility. We aim to be strategically disciplined and focused, recognising our limitations and the risks of moving beyond business models, markets and geographies of reasonable familiarity. When we see compelling strategic and financial merit in doing so we will form compensatory relationships with principals, partners, clients or executives.

In South Africa our focus is to grow organically given the size and maturity of our domestic businesses. In Africa and Europe we will maximise organic growth and continue to seek acquisitions and adjacent opportunities that benefit from our ownership and deepen our penetration of the value chains.

We believe this approach will achieve niche domination or scale relevance, maximise returns on capital and executive attention, and mitigate key risks and regulatory constraints while emphasising the complementarity of our two major lines of mobility:

- > "Logistics" will be Imperial's major growth vector. Strict capital allocation disciplines will be applied in pursuit of mainly international organic and acquisitive growth opportunities.



> "Vehicles" will be Imperial's major source of operating cash flow. Strict operating disciplines will be applied to mitigate consumer and currency volatility in a low-growth environment, with growth, cash holdings, annuity income and returns enhanced by vehicle-related financial services.

We further believe that strategic discipline heightens rather than stifles entrepreneurial creativity and provides a basis for executive compensation aligned to shareholder value creation.

Accessing and allocating capital to achieve risk-adjusted return on capital invested

Imperial's balance sheet and Moody's rating provides access to local and international debt capital at competitive rates. The group accesses and allocates capital from the centre to those sectors and jurisdictions where targeted growth will be achieved, based on clear strategy and expected returns. Investment in existing assets, organic growth or acquisitions is based on the medium-term achievement of a return on invested capital (ROIC) in excess of the weighted average cost of capital (WACC), with the latter risk adjusted by major jurisdiction. The achievement of ROIC > WACC is a major determinant of executive compensation.

Reducing our exposure to currency risk

The negative impact of a fast-weakening rand on the performance of Imperial was manifest once more in the decline of the Vehicle Import, Distribution and Dealerships division's 2015 profits. Without in any way suppressing that division's absolute profitability, cash generation and returns, those revenue and profit streams specifically affected by the volatility of the rand, must in time become

a smaller part of Imperial. To this end we will continue to maximise hedging instruments while developing every non-currency related revenue and operating profit opportunity in the vehicles value chain and accelerating the organic and acquisitive growth of the rest of the group.

Staffing for performance and succession

We believe that the performance and sustainability of Imperial will be assured by talented leadership. Building on an extraordinary depth of executive experience and expertise, we have embarked on a structured process to assess and develop Imperial's 150 most senior executives to equip them with the strategic and leadership skills necessary to respond effectively to the competitiveness, innovation and volatility faced by all businesses today.

This process will also address the specific short-term succession and transformation requirements facing Imperial, by identifying internally and externally, appointing and developing talented individuals, to lead Imperial in the years ahead.

Initiatives over the past year include: the implementation of a new talent management framework; the introduction of standardised human capital metrics and architecture; compensation benchmarking; and the appointment of 16 new executives to the most senior two layers of management including transitional arrangements for new CEOs to Hyundai, Renault and Logistics Rest of Africa.

We are mindful that the attraction and development of the desired level of talent requires a compelling employee value proposition, particularly in foreign markets where different requirements prevail, and we are determined to establish Imperial as an employer of choice in our sectors.

Enhancing societal impact and legitimacy among all stakeholders

Our understanding of sustainability is simple. Corporations cannot endure without meeting the reasonable demands of all stakeholders, any one of whom has the power to halt progress. These stakeholder demands relate primarily to the value that accrues to or is denied them by the organisation's everyday existence and activities. Any attempt to compensate for a failure to meet these demands with corporate social investment is futile.

At its core, Imperial enables the movement of people and goods in society. The scale of certain group businesses positions them as systemically important to their host environments. We touch the lives of tens of thousands of people around the world as, inter alia, an employer, a provider and purchaser of goods and services, a property owner, a taxpayer and a major user of energy and infrastructure. The responsibility attached to each of these roles demands a thorough understanding and management of the societal impact of our core activities well beyond conventional commercial considerations.

To this end, and consistent with our quest to enhance the breadth and reliability of non-financial data, we commissioned an economic impact and stakeholder study to quantify the direct and indirect impact of Imperial's activities on broader society with a view to understanding, enhancing and reporting on our corporate contribution in future years. The study will also enable us to better understand the perceptions of key stakeholders and identify and address potential areas of risk in our relationships with them.

PROSPECTS

The factors contributing to heightened uncertainty and volatility in economies, markets and industries globally are well publicised, as are the additional consequences of unemployment, low growth and confidence, increasing socio-political tensions, and electricity supply failures facing South African business. None of these are expected to change markedly in the short to medium term.

The factors most relevant to the fortunes of Imperial are: the weakening of the rand against the currencies in which we import new vehicles; the poor state of the South African economy; a much slower than expected recovery of the German economy; and the impact of political uncertainty and a sustained low oil price on the economy and currency of Nigeria.

In the absence of a marked deterioration in current conditions we expect Imperial to produce single digit growth of revenue and operating profit for continuing operations in 2016.

The group has embarked on various strategies to enhance the value added by Imperial Holdings and the competitiveness and sustainability of its subsidiaries. We are confident that these initiatives will improve risk adjusted returns and unlock shareholder value in the medium term.

APPRECIATION

Today 51 361 people choose to devote their working lives to the interests of Imperial and its stakeholders. In the current business climate this frequently demands extraordinary diligence and commitment. I thank them all for their contribution to Imperial's 2015 performance, in particular the many whose efforts go way beyond expectations.

17 September 2015