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Investment community presentation

Interim results for the 6 months ended 31 December 2019

Agenda

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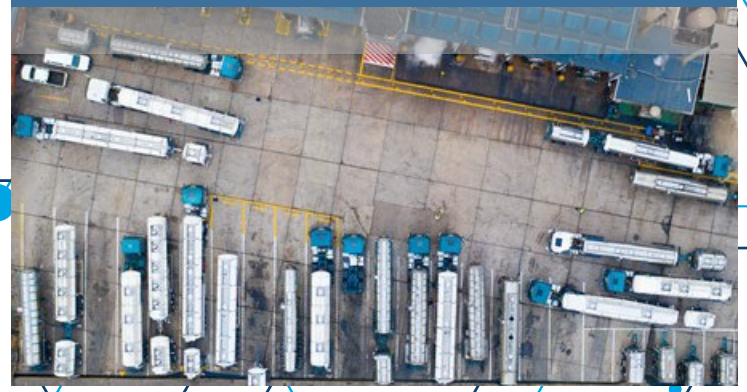
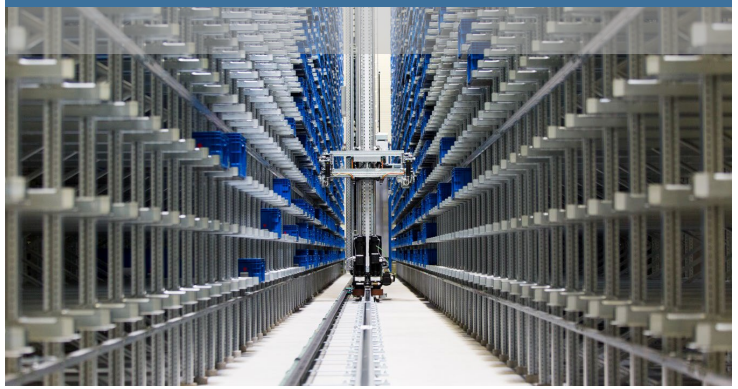
Overview



Operating context

Operations review



Financial review

Strategy

Looking forward

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Overview

Key features

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Continuing revenue	Continuing operating profit	Operating margin improved
+1%	+9%	6.4%
R25.4 billion	R1.6 billion	(H1 F2019: 5.9%)

Continuing HEPS	Continuing EPS	Interim cash dividend
+10%	+12%	167 cps
371 cents per share	372 cents per share	45% of continuing HEPS

Free cash conversion of 72%
(H1 F2019: 75%)

ROIC OF 10% (H1 F2019: 10.5%) vs
WACC OF 8.0% (H1 F2019: 8.3%)

Net debt:EBITDA of 2.0x
(excl. IFRS 16)

Contract renewal rate in excess of 80%
New business revenue of R5.8 billion p.a.

Note: Consumer Packaged Goods (CPG) business in South Africa classified as discontinued operations in H1 F2020; Motus & CPG classified as discontinued operations in H1 F2019 & F2019; comparatives have been restated for IFRS 16 Leases; ROIC & WACC are calculated on a rolling 12 month basis

Overview

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- Grew revenue & operating profit from continuing operations, despite increasingly challenging trading conditions impacting volumes
- Continuing operating margin improved from 5.9% to 6.4%
- Results benefited from:
  - new contract gains
  - the benefits of rationalisation & cost-cutting in South Africa & International in F2019
  - excellent performance from the market access healthcare business in African Regions
- *South Africa*: demonstrated resilience despite a competitive & challenging market, increasing revenue & operating profit
- *African Regions*: delivered a good performance - maintained revenue & increased operating profit in mixed trading conditions across the region
- *International*: decreased revenue but increased operating profit in increasingly challenging markets in Europe
- Continuing revenue generated outside South Africa: R17.8 billion (70% of group revenue)
- Continuing operating profit generated outside South Africa: R1.1 billion (64% of group operating profit)

Overview

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- Our balance sheet management remains sound
  - sufficient headroom to achieve organic & acquisitive growth (R10.6 billion of unutilised banking facilities)
  - net working capital improved by 16% compared to December 2018: in line with 4-5% of revenue
  - net capital expenditure of R815 million largely to fund growth on the back of new contracts
- IFRS 16 Leases standard adopted with effect from 1 July 2019
  - full retrospective approach
  - impact to equity at 1 July 2018 is a reduction of R403 million
- Strategic progress on short-term initiatives:
  - CPG business in South Africa was exited in November 2019
    - closure costs remain unchanged
    - incurred a cash outflow of R595 million as it winds down; no further trading losses to be incurred
    - retained over 1 800 staff (excluding the Cold business) & c.80% (revenue) of contracts from the ambient business
  - sale of the international shipping business is progressing; targeting to conclude by end of June 2020, subject to regulatory approvals
  - four acquisitions successfully concluded in African Regions (R584 million spent in total)
  - exploring potential expansion opportunities into air/ocean freight management in International
  - innovation fund recorded significant activity since its inception just over 6 months ago

Group revenue & operating profit per capability

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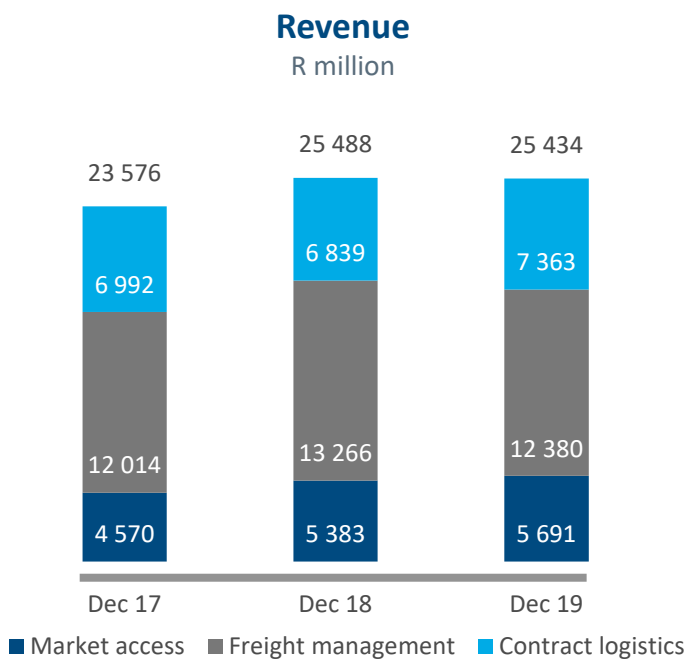
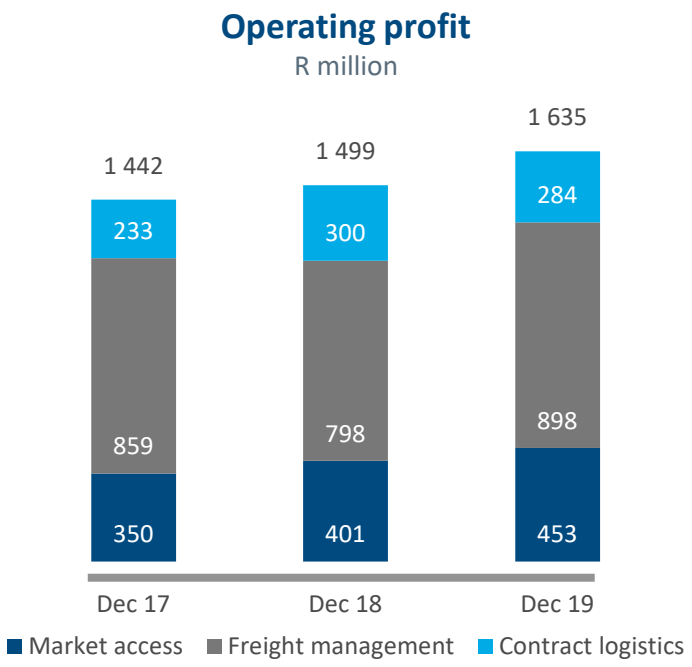
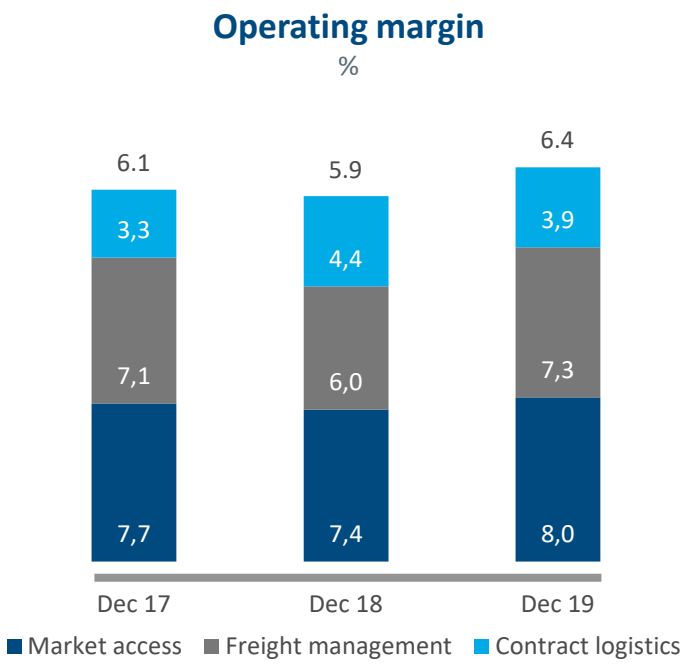
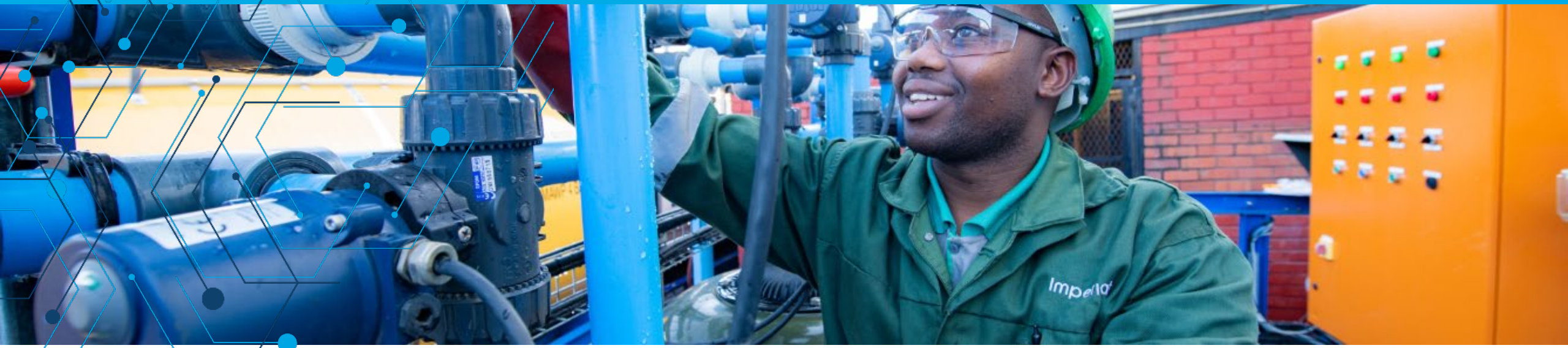






Note: Numbers reported are for continuing operations, excluding businesses held for sale, head office & eliminations
Operating profit shown for 3 years as numbers have been restated for that period due to IFRS 16



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Operating context

Operating context

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- Most of our businesses were exposed to heightened difficult economic & trading conditions across all markets
- Minimal recovery expected in the short term
- Benefits of significant rationalisation & cost cutting in F2019 & new contract gains assisted in mitigating this impact

South Africa (30% group revenue; 36% group operating profit)

- Persistently poor economic conditions translated into exceptionally low-volumes across most sectors
- Impact of load shedding added further pressure
- Continued margin pressures on contract renewals
- New business gains (c.R2.1 billion) & healthy new business pipeline on the back of outsourcing opportunities

Operating context

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Rest of Africa (25% group revenue; 31% group operating profit)

- Mixed trading conditions across the continent
- In healthcare, businesses in West Africa delivered an excellent performance
- Strong volumes from our medical supplies & kitting business (Imres) - record order book
- Good new business gains (c.R1.5 billion)
- Factors negatively impacting performance included:
  - ongoing economic recession in Namibia
  - increasingly poor economic conditions in Zimbabwe - affecting cross border volumes
  - Slow economic recovery & increasingly competitive market in Kenya

Eurozone & United Kingdom (45% group revenue; 33% group operating profit)

- Steel, chemical & automotive sectors remain under pressure
- Trading conditions in Germany continue to deteriorate
- Brexit continues to increase economic & political uncertainty with the potential to depress consumer demand & activity - ongoing risk to Palletways
- Good new business gains (c.R2.2 billion)

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Operations review

Divisional overview

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South Africa

- **Leading end-to-end capabilities** provide outsourced services to extensive client base across industries
- Integrated offerings evolving to **enhance value for clients**

- **Revenue** ↑ 13% to R7.6bn
- **Operating profit** ↑ 8% to R579m
- **Operating margin** 7.6% (H1 F2019: 7.9%)
- **30%** group revenue
- **36%** group operating profit
- **ROIC** of 11.8% vs WACC of 8.9%

African Regions

- **Leading distributor of pharmaceuticals & consumer goods** in Southern, East & West Africa
- Capabilities being expanded across the region

- **Revenue** → at R6.4bn
- **Operating profit** ↑ 7% to R511m
- **Operating margin** 8.0% (H1 F2019: 7.6%)
- **25%** group revenue
- **31%** group operating profit
- **ROIC** of 15.9% vs WACC of 13.4%

International

- Transportation management (shipping/road)
- **Leading capabilities** in chemical & automotive industries
- **Specialised express distribution** capabilities

- **Revenue** ↓ 8% to € 702m
- **Operating profit** ↑ 13% to € 34m
- **Operating margin** 4.8% (H1 F2019: 3.9%)
- **45%** group revenue
- **33%** group operating profit
- **ROIC** of 7.4% vs WACC of 5.6%

Note: Numbers are for 6 months ended 31 December 2019 for continuing operations. Comparatives have been restated for IFRS 16 Leases
Return on invested capital (ROIC) & weighted average cost of capital (WACC) are calculated on a rolling 12 month basis

Revenue by key industry & capabilities

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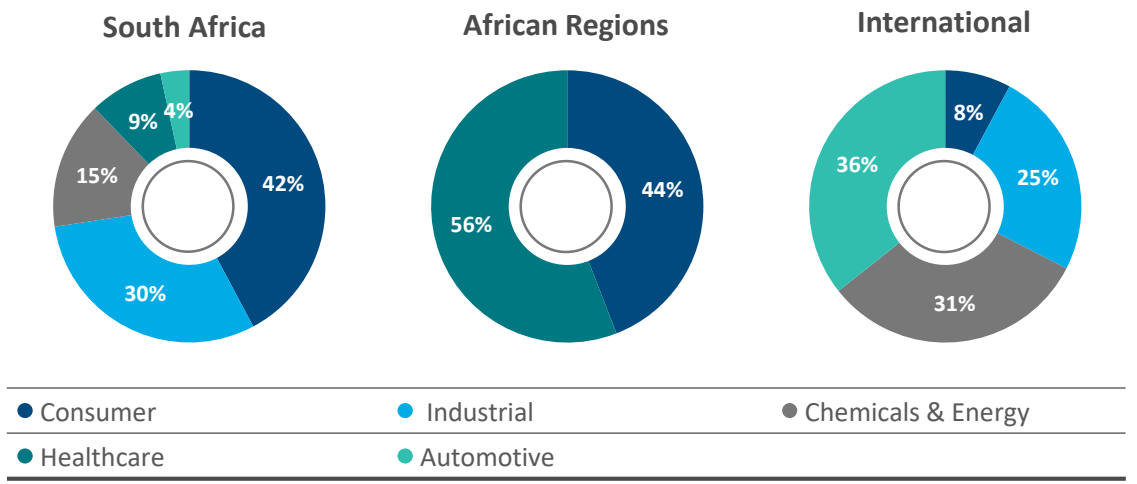
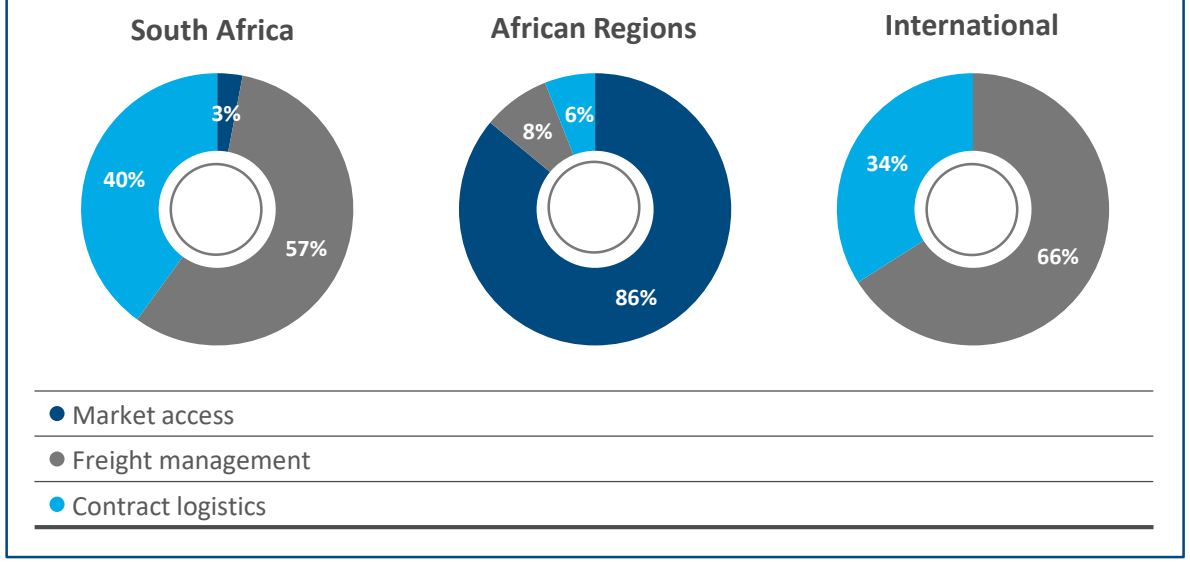
Revenue by industry (%)



Revenue by capability (%)



South Africa: diversified service offerings across many industries & clients - support resilience of this business in a low-growth environment

African Regions: strongly positioned in healthcare & consumer - sustainable, fast growing & defensive industries across Africa

International: industry exposure is still largely focused on low-growth, declining German manufacturing (chemicals, steel). Portfolio being aligned to diversify industry exposure & explore growth opportunities in other markets - leveraging our expertise in these industries in Europe - to support trade flows & our supply chain into & out of Africa

South Africa: strong positions in freight management & contract logistics support our diversified service-offerings. Growth opportunities in market access (mainly consumer & healthcare)

African Regions: continue to strengthen & grow our market access position - a key driver to an integrated logistics supply chain & market access service offerings into & out of Africa

International: Strategically aligning our current portfolio. Expansion of specific capabilities, industries & a shift primarily towards freight management (air & ocean) - to support trade flows & our supply chain into & out of Africa

Growth trend: South Africa excluding CPG

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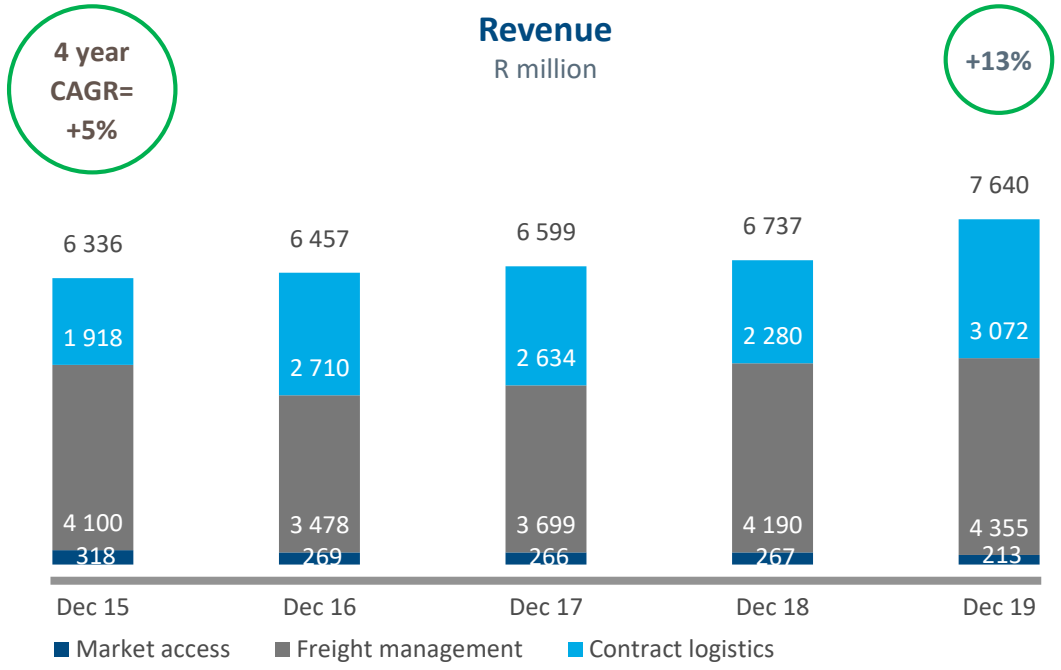

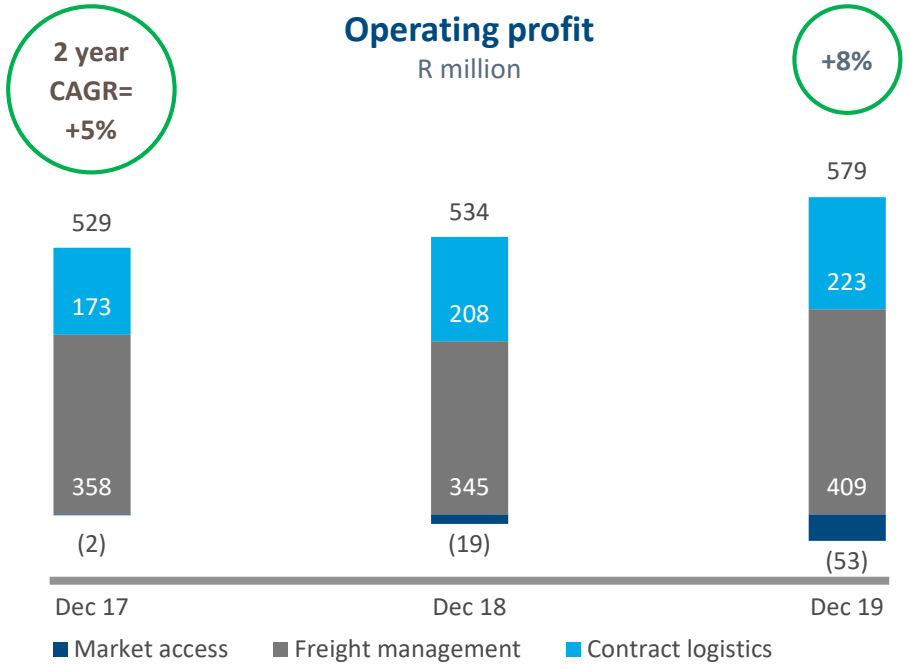

Increased revenue by 13% & operating profit by 8% demonstrating resilience in a low-growth environment

Results supported by:

- new contract gains (c.R2.1bn)
- retention of CPG contracts under more viable commercial terms
- benefit of cost-saving initiatives in F2019

Negatively impacted by:

- lower volumes & margins across most sectors - mainly in healthcare
- contract renewals at lower margins

Capabilities:

- Freight management: grew revenue & operating profit, supported by benefits of cost-cutting
- Contract logistics: revenue & operating profit growth resulting mainly from new business gains
- Market access: revenue & operating profit declined mainly due to the underperformance of Pharmed

Note: Numbers reported are for continuing operations, excluding businesses held for sale (Dec 15 - Dec 17), head office & eliminations
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Growth trend: African Regions

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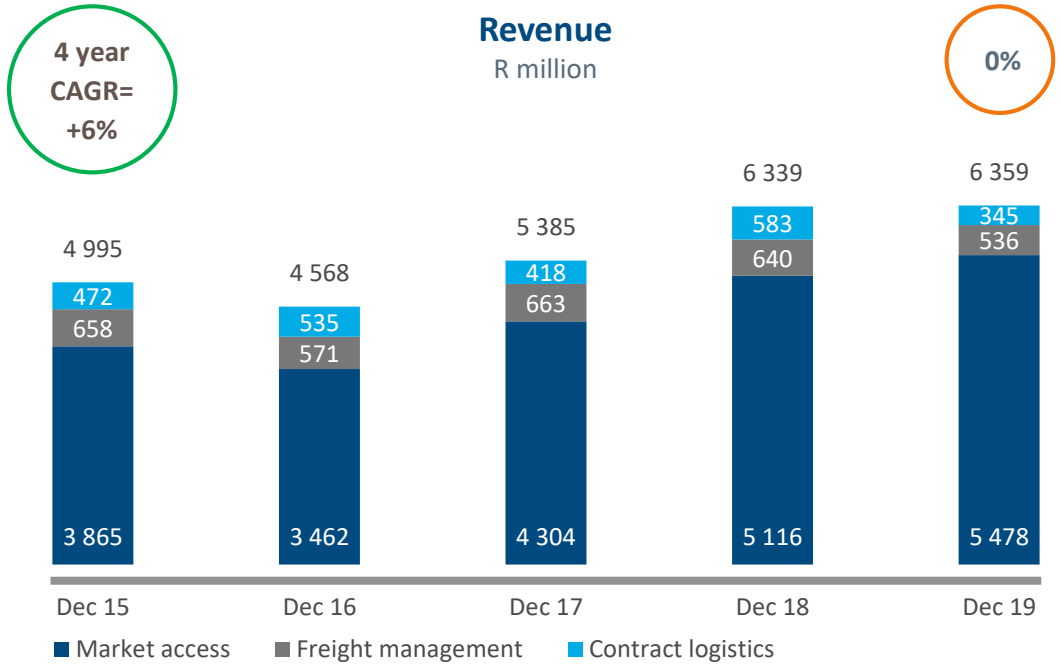

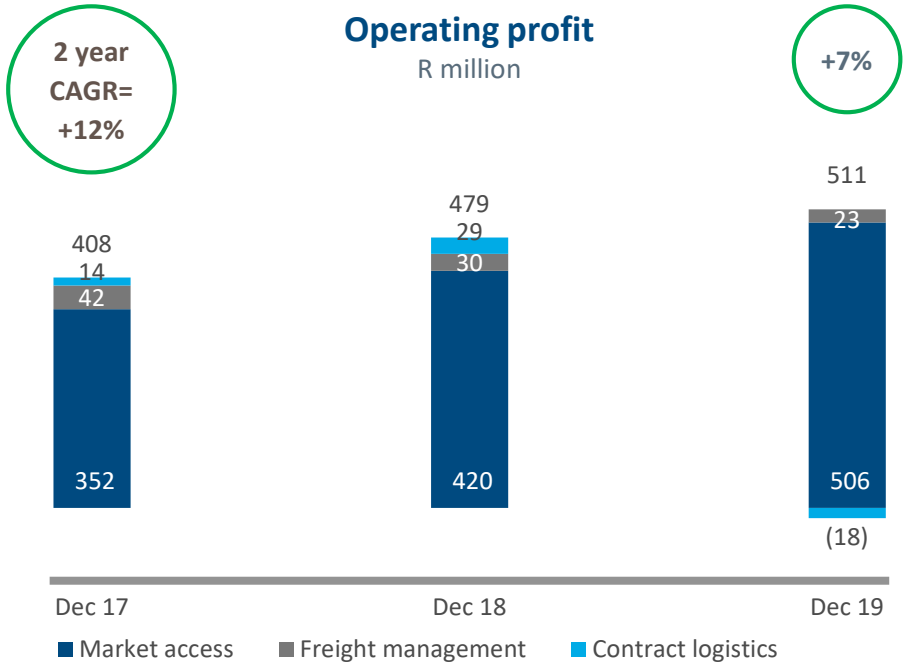

Maintained revenue & increased operating profit by 7% in mixed trading conditions - supported by excellent performance in market access (healthcare)

Results supported by:

- excellent growth from market access - mainly healthcare in West Africa & Imres
- new contract gains (c.R1.5bn)
- consumer business in Mozambique also contributed positively

Negatively impacted by:

- absence of Resolve Africa's once-off project work included in prior period
- underperformance from healthcare business in Kenya & consumer business in Namibia
- cross-border freight management business impacted by poor economic conditions in Zimbabwe

Capabilities:

- Market access: increased revenue & operating profit
- Contract logistics: revenue & operating profit declined due to substantially lower volumes from global aid organisations (loss of previously-reported contract)
- Freight management: minor contribution at this stage

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Growth trend: International (Euro)

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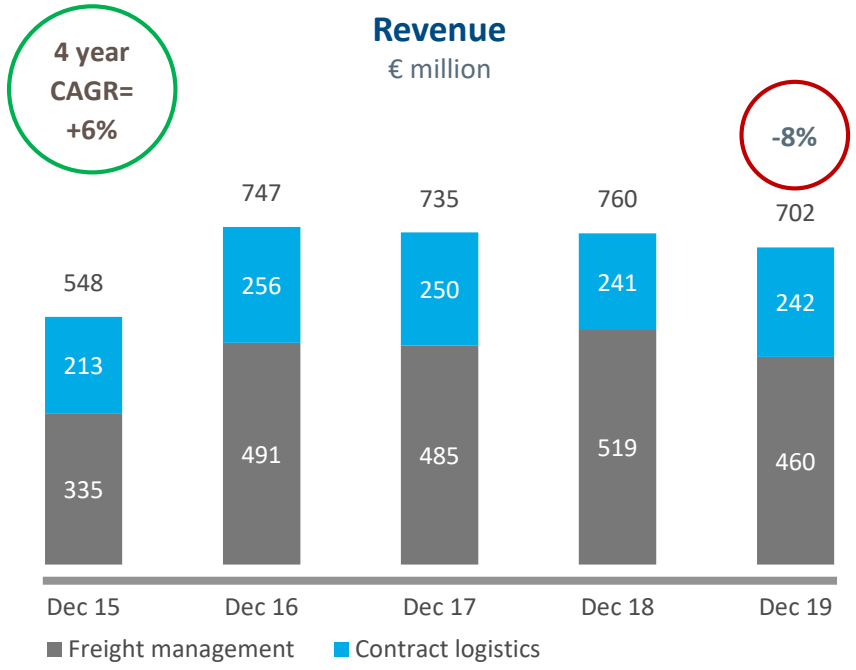

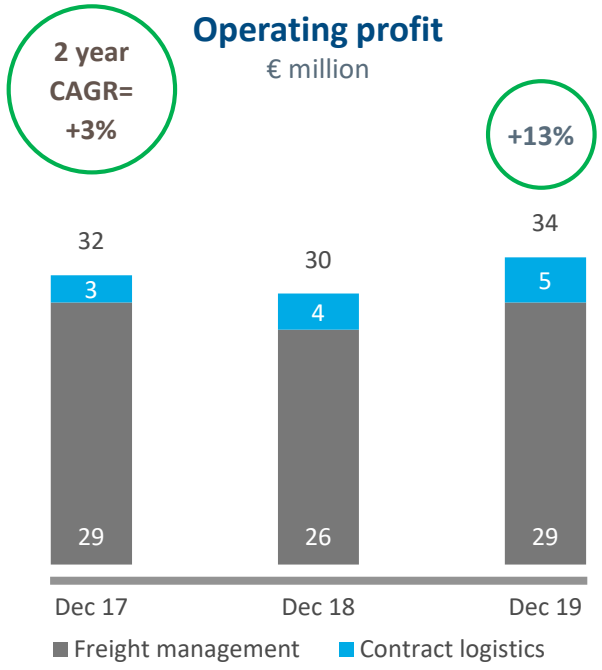

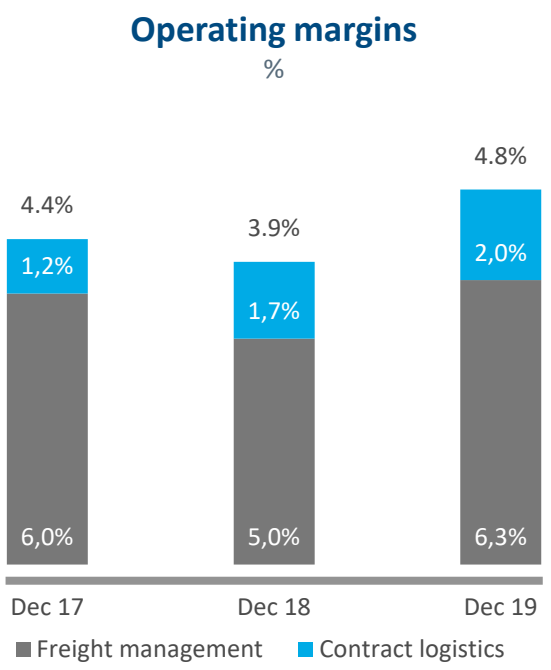

Revenue decreased by 8% but operating profit increased by 13% in Euro terms in increasingly challenging markets

Results supported by:

- new business gains (c.R2.2bn)
- benefits of the significant cost-cutting
- express palletised business (Palletways) improved profitability - corrective measures reaped benefits
- improved profitability from contract logistics & shipping business

Negatively impacted by:

- decline in volumes across all sectors
- increasingly challenging trading conditions in Europe
- impact of low water level surcharges in prior period - resulted in increased billings & sub-contractor costs (excluding this impact, revenue grew by 3% in Euro terms)

Note: Numbers reported are for continuing operations, excluding businesses held for sale (Dec 15 - Dec 17), head office & eliminations
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Growth trend: International (Rands)

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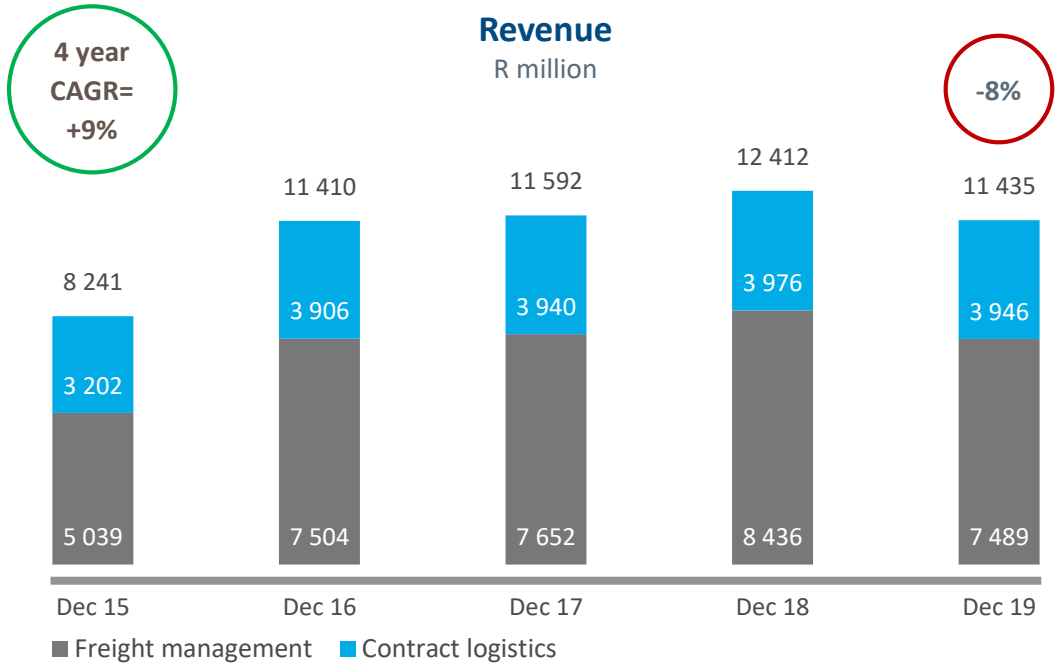

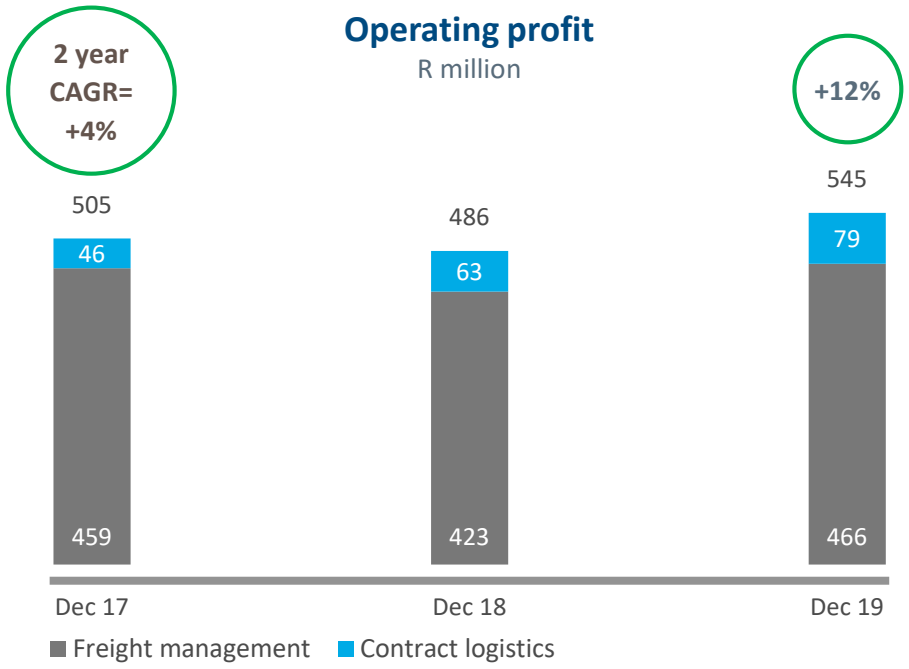

Revenue decreased by 8% but operating profit increased by 12% in Rands - which was 1% stronger on average against the Euro

Capabilities:

- Contract logistics:
  - maintained revenue, impacted negatively by lower volumes in chemicals business
  - increased operating profit due to the automotive business benefiting from new contract gains & improved pricing; & cost reduction benefits
- Freight management:
  - revenue declined due to low water level surcharges in shipping which resulted in lower volumes
  - operating profit increased due to improved profitability from Palletways & the shipping business

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Divisional statistics

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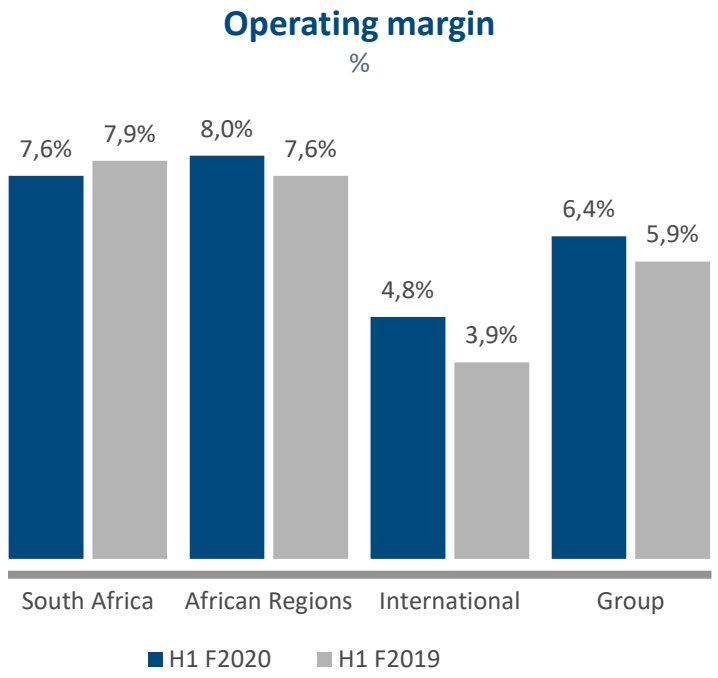

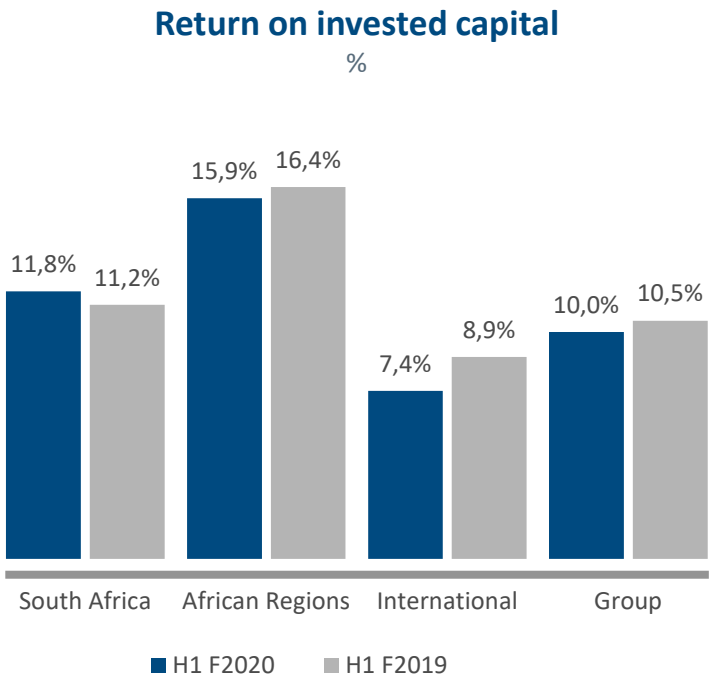

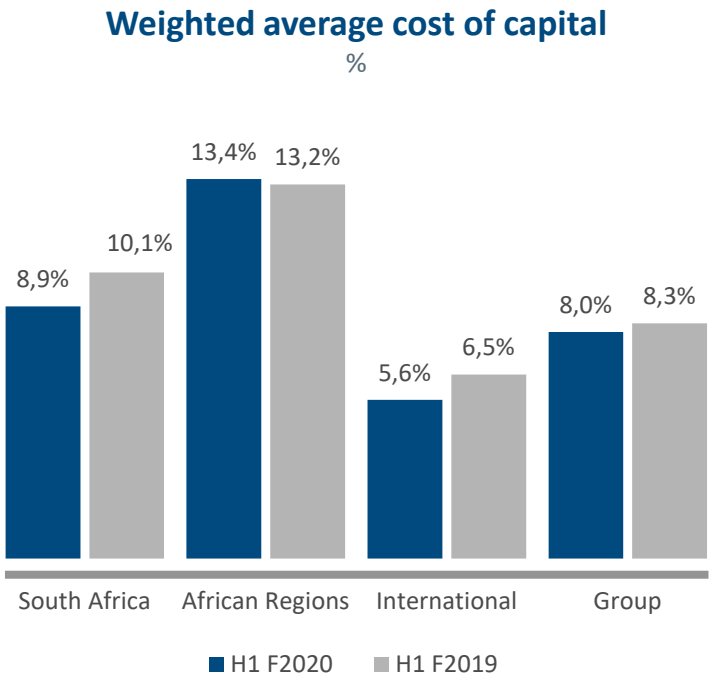

- Group continuing operating margin improved to 6.4% from 5.9% in the prior period
- Target hurdle rates:
  - South Africa & African Regions: ROIC = WACC+3%
  - International: ROIC = WACC+2%

Note: Numbers reported are for continuing operations. ROIC & WACC are calculated on a rolling 12-month basis

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Financial review

IFRS 16 lease adoption

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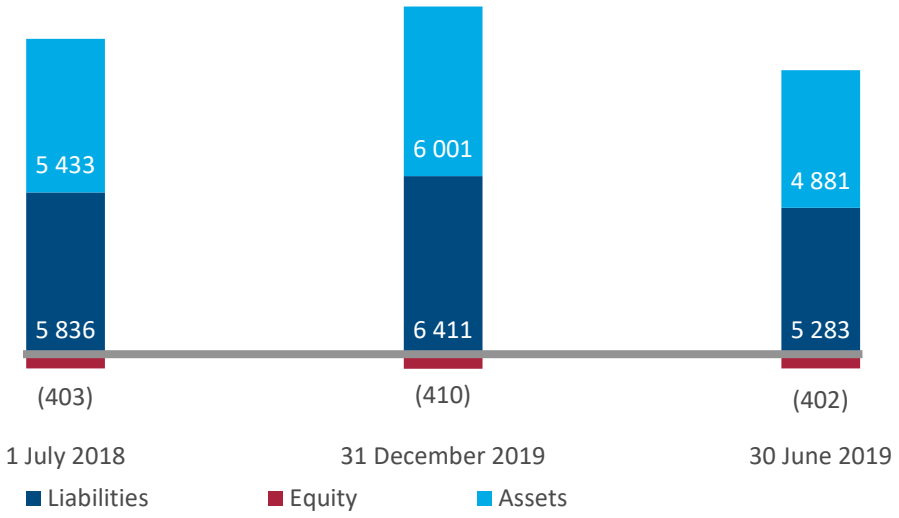
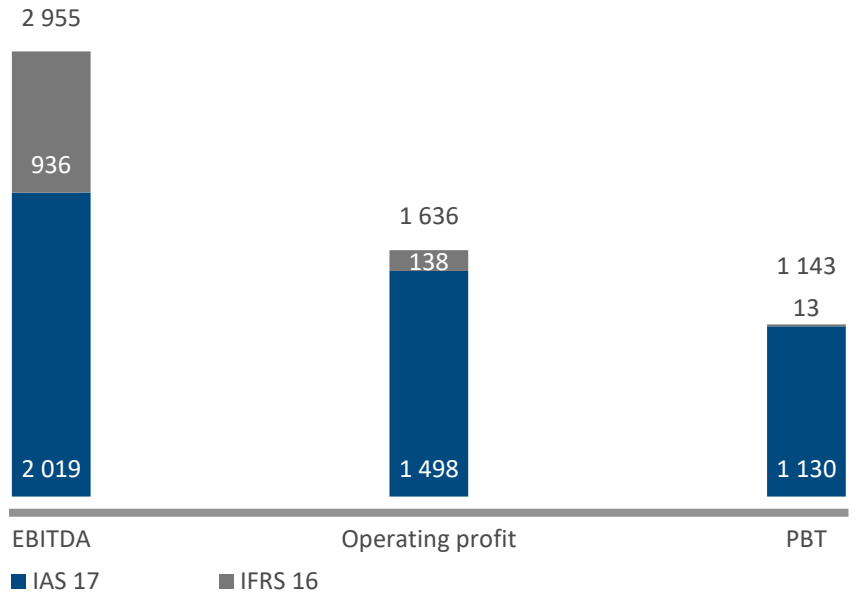
Financial position



Profit or loss



Balance sheet impact

- On 1 July 2018 the group recognised lease obligations of R5 850 million & ROU assets of R5 335 million
- Provisions for onerous leases are reversed & accounted for as asset impairments
- Impact of 'lease smoothing' (IAS 17) are reversed to equity
- Net tax assets of R115 million is raised resulting from the timing difference arising from leases
- Equity is reduced by R403 million made up from an increase in total liabilities of R5 836 million & an increase in total assets of R5 433 million

Profit or loss impact - 31 December 2019

- Lease rental expense of R936 million (IAS 17) are excluded from EBITDA
- ROU assets are amortised on a straight-line basis impacting operating profit
- Operating profit & operating margin improves as interest of R125 million is below the line
- Insignificant impact on PBT & Earnings

The impact of IFRS 16 lease adoption on financial reporting

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Key metrics	Before IFRS 16	Impact	After IFRS 16
Profit or loss			
EBITDA (Rm)	2 019	936	2 955
Operating profit (Rm)	1 498	138	1 636
Operating margin (%)	5.9	0.5	6.4
Interest cost	213	125	338
Interest cover	8.5	(0.3)	8.2
Balance sheet			
Net debt (Rm)	7 401	5 159	12 560
Net debt to equity (%)	89.9	62.6	152.5
Net debt to EBITDA (Times)	2.0	0.3	2.3
ROIC (%)	12.0	(2.0)	10.0
WACC (%)	9.5	(1.5)	8.0
Cash flows			
Operating cash flows (Rm)	(233)	(1 138)	905
Financing cash flows (Rm)	581	1 138	(557)
Free cash flows (Rm)	(565)		(565)

The Group's bank covenant calculations exclude the impact of IFRS 16

Profit & Loss (continuing operations)

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	Dec 2019 Rm	Dec 2018* Rm	% Change
Revenue	**25 397**	25 221	
Operating profit (note 1)	**1 636**	1 500	9
Amortisation of intangible assets arising on business combinations	**(174)**	(196)	(11)
Profit on disposal of properties, net of impairments	**15**	4	>100
Impairments of goodwill & disposal of businesses (note 2)	**(8)**	(1)	>100
Foreign exchange gain	**18**	(23)	>100
Business acquisition costs (note 3)	**(14)**	(7)	100
Profit before financing costs & associates	**1 473**	1 277	15

1. Increased by 9% due to:
   - the benefits of significant rationalisation & cost cutting initiatives undertaken in F2019
   - a strong performance from the market access healthcare business in African Regions (West Africa & Imres)
   - improved margins in the International division - mainly Palletways & shipping
2. Comprises of impairment of goodwill & costs associated with disposals - reduced by a recovery on a loan that was previously impaired
3. Comprises of costs associated with acquisition of businesses in African Regions

* Restated for the adoption of IFRS 16 Leases. December 2018 was also represented for the CPG discontinued operations

Profit & Loss (continuing operations)

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	Dec 2019 Rm	Dec 2018* Rm	% Change
Profit before financing costs & associates	**1 473**	1 277	15
Net financing costs (note 1)	**(338)**	(298)	13
Income from associates (note 2)	**8**	32	(75)
Tax (note 3)	**(360)**	(297)	21
Net profit for the year - continuing operations	**783**	714	10
Discontinued operations (note 4)	**(283)**	5 160	< (100)
Attributable to minorities	**77**	66	17
Attributable to Imperial shareholders (Earnings)	**423**	5 808	(93)

1. Increased by R40 million mainly due to:
   - the once off gain of R63 million on settlement of the preference shares in the prior period
2. Decreased mainly due to the sale of Gruber in the prior period & a decrease in income from the MDS Logistics associate
3. Significant items include:
   - deferred tax assets not raised on some loss making entities
   - non-deductible costs relating mainly to business acquisition costs increased
4. The discontinued operations relate to CPG in the current period & comprise of a profit in Motus of R5 240 million & a loss in CPG of R80 million in the prior period

* Restated for the adoption of IFRS 16 Leases. December 2018 was also represented for the CPG discontinued operations

Financial position

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	Dec 2019 Rm	Jun 2019* Rm	% Change
Property, plant & equipment	**2 630**	2 647	
Transport fleet (note 1)	**5 787**	5 452	6
Right-of-use assets	**4 714**	4 780	(1)
Goodwill & intangible assets	**6 743**	6 719	
Investments in associates, other investments & other financial assets (note 2)	**695**	745	(7)
Net working capital (note 3)	**2 088**	1 354	54
Net tax asset	**400**	384	4
Assets of disposal group	**171**	296	

1. Transport fleet increased as a result of:
   - acquisition of buses as a result of the purchase of Lowveld Buses' contracts
   - investment in fleet to accommodate new contract gains
   - fleet replacement in South Africa & International
   - offset by depreciation
2. Disposal of an associate in South Africa
3. The increase is mainly due to:
   - new contract gains
   - increased sales volumes in African Regions healthcare business resulting in increased trade receivables & inventory levels
   - net working capital in line with guidance of 4-5% of revenue

* Restated for the adoption of IFRS 16 Leases

Financial position

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	Dec 2019 Rm	Jun 2019* Rm	% Change
Net interest bearing borrowings excluding lease liability (note 1)	**(7 401)**	(5 745)	29
Lease obligations (note 2)	**(5 159)**	(5 969)	(14)
Other liabilities	**(2 431)**	(2 418)	
Total equity (note 3)	**8 237**	8 245	

1. Increased, impacted mainly by:
   - cash inflow from operations before working capital movements of R2 682 million
   - cash utilised in working capital of R1 094
   - finance costs paid of R422 million
   - tax paid of R261 million
   - net capex amounted to R815 million
   - repurchase of ordinary shares of R225 million
   - dividends paid of R282 million
   - purchase of a non-controlling interest of R80 million
   - lease payments of R1 138 million
2. The decrease is due to lease payments, offset partially by the capitalisation of new leases during the period
3. Comprehensive income of R458 million was offset by dividends paid of R282 million; share repurchases net of share based equity charges of R158 million; transactions with non-controlling interests R26 million

* Restated for the adoption of IFRS 16 Leases

Cash flow operating activities (total Logistics, excluding Motus)

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	Dec 2019 Rm	Dec 2018 Rm
Cash generated by operations (before interest & taxes paid) (note 1)	**2 682**	2 986
Net working capital movements (excludes currency movements & net acquisitions) (note 2)	**(1 094)**	(577)
Net Interest & tax paid	**(683)**	(806)
Cash inflow from operating activities	**905**	1 603

1. Decreased by R304 million mainly due to CPG which utilised R307 million of cash by its discontinued operations during the current period - trading losses will not recur going forward
2. The increase is mainly due to:
   - new contract gains
   - increased sales volumes in African Regions healthcare business resulting in increased trade receivables & inventory levels
   - net working capital in line with guidance of 4-5% of revenue

Cash flow summary (total Logistics, excluding Motus)

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	Dec 2019 Rm	Dec 2018 Rm
Cash flow from operating activities	**905**	1 603
Investing activities:	**(837)**	(556)
Capital expenditure (1)	**(815)**	(700)
Net (acquisitions) disposals of subsidiaries & businesses (2)	**(75)**	
Net movement in associates, investments, loans & other financial instruments (note 3)	**53**	144
Financing activities:	**(1 735)**	(2 581)
Hedge cost premium		(62)
Cash resources distributed as part of dividend in specie		(1 058)
Dividends paid	**(282)**	(274)
Repayments of lease obligations (note 4)	**(1 138)**	(843)
Repurchase of ordinary shares	**(225)**	(91)
Settlement of non-redeemable, non-participating preference shares		(378)
Other financing activities (note 5)	**(90)**	125
Increase in net borrowings before currency adjustments	**(1 667)**	(1 534)
Free cash flow - total Logistics, excluding Motus	**(565)**	255
Free cash flow to headline earnings - total Logistics, excluding Motus (times)	**(1.6)**	0.44
Free cash flow - continuing Logistics, excluding Motus & CPG	**30**	58

1. Increased due to new contract gains; the purchase of specialised fleet in International; replacement fleet in all divisions
2. Net cash paid for the acquisition of Axis Group, business acquisition costs
3. Disposal of an associate in South Africa & cash received on impaired loans to associates
4. The increase is mainly due to significant lease payments in CPG as the business is winding down
5. Comprises mainly of minority buyouts in Eco Health & Palletways

Leverage

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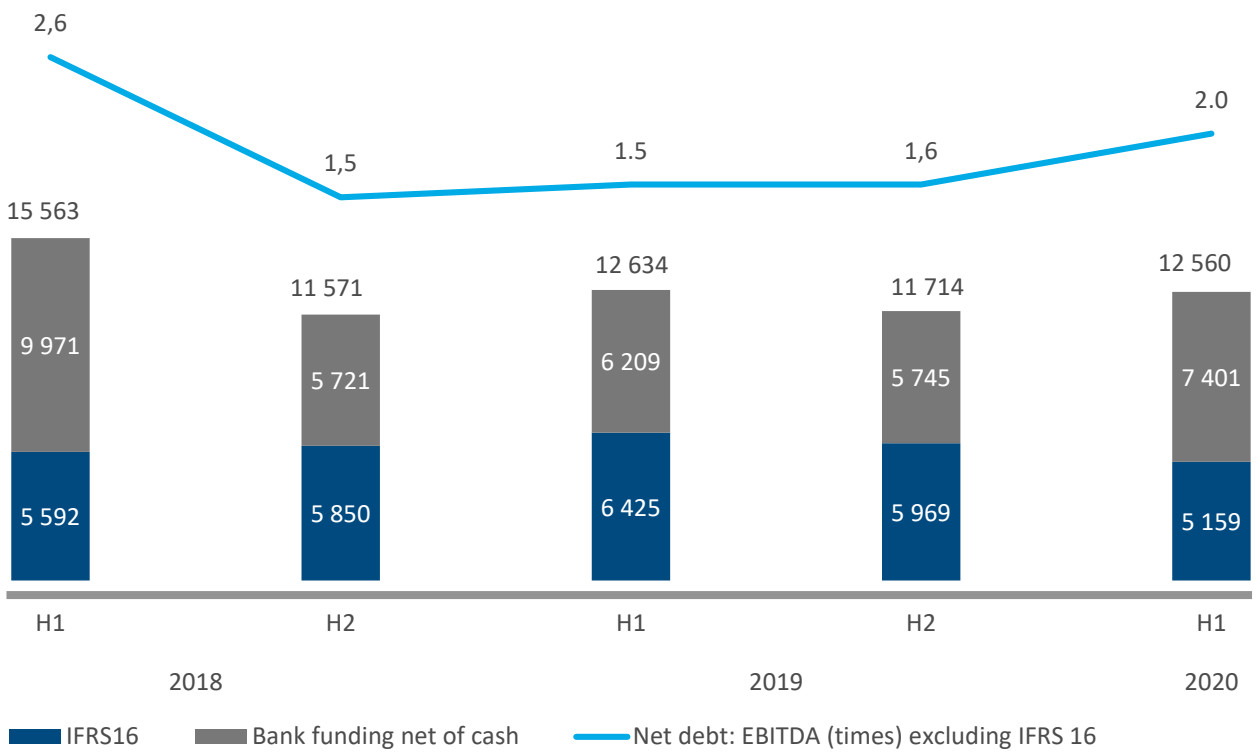
Net debt to EBITDA excluding IFRS 16



- The Group's liquidity remains strong
- R10.6 billion of unutilised banking facilities
- 73% of the Group debt is long-term in nature
- 49% of the debt is at fixed rates
- All debt requirements are accommodated in the banking market

- Net debt:EBITDA of 2.0x (H1 F2019:1.5x); covenant at 3.25x
- Debt capacity of R3bn to R5bn; significant headroom
- Interest cover at 8.5x; covenant at 3.0x

Performance against medium term guidance

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	H1 F2020	Medium term guidance over 3 years
Revenue & operating profit	1% revenue growth 9% operating profit growth	ILSA & ILI[1]: 2x GDP growth + inflation ILAR[1]: Low double digit growth
Cash conversion	72%	Targeted cash conversion of 70-75%
Debt capacity	ZAR3-5bn	ZAR3-5bn
Net debt / EBITDA (excluding IFRS 16)	2.0x	< 2.5x
ROIC	10.0% (WACC: 8.0%)	ILSA & ILAR: WACC + 3% ILI: WACC + 2%
Dividend	45% of continuing HEPS	Targeted payout ratio: 45% of continuing HEPS
Net working capital	4.9% of revenue	4-5% of revenue

Note: Financials & guidance based on continuing operations
1. Organic growth guidance

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Strategy

Strategic positioning - recap

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Our strategic focus & value proposition is to position Imperial as the 'Gateway to Africa' through:

- Offering clients an integrated logistics & market access service offering into & out of Africa
- Focusing our service offering & positioning on three capabilities: market access, freight management & contract logistics
- 5 key industries (healthcare, consumer, chemicals, industrial, automotive)
- Repositioning Imperial as one business & one brand ('One Imperial')
- Leveraging expertise across the business to be a more client driven organisation
- Aligning our International portfolio & growth opportunities in other markets to support trade flows & our supply chain into & out of Africa
- Heightened focus on innovation & disruption to better position ourselves for the future, given ever changing macro & industry trends

We are embarking on a journey to transform Imperial from a regional portfolio of businesses to offer an integrated, end-to-end service which will deliver simplicity, flexibility & visibility to clients - supports our positioning as the 'Gateway to Africa'

Africa's significant consumer market potential

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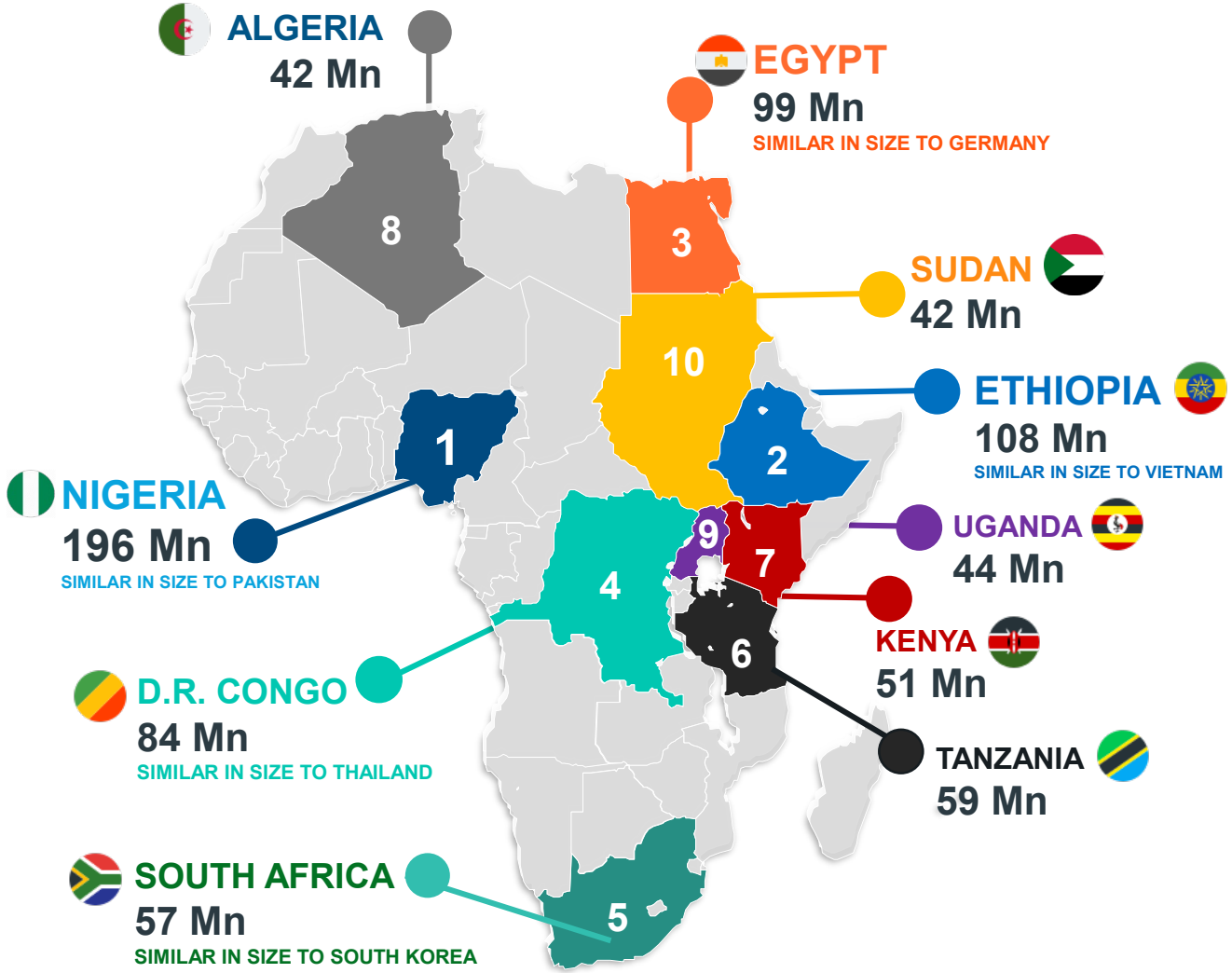
2017		2050
USD 2.75 trillion	Collective GDP (2x)	USD 5.5 trillion
1.25 billion	Population (2x)	2.4 billion
41%	Urban Population (1.5x)	60%
USD 1.4 trillion	Consumer Spending (3.5x)	USD 4.75 trillion



By 2022, the Global pharma market is expected to reach US$1.44 tn, with Africa driving a $25.5 bn opportunity

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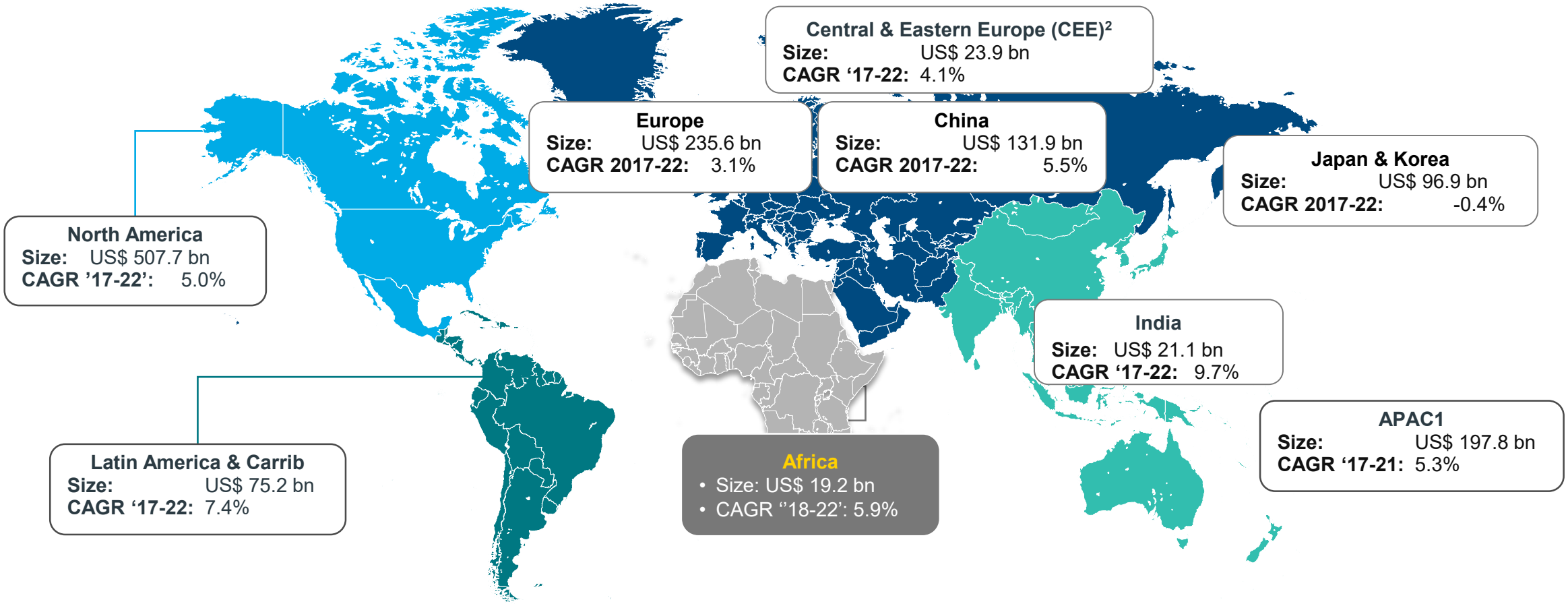
2017-2022: Global Markets Dynamics



Source: IQVIA Market Prognosis Sept 2017; Notes: [1]APAC: Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, East Timor, Hong Kong, Indonesia, Laos, Macau, Malaysia, Maldives, Mongolia, Myanmar, Nepal, New Zealand, North Korea, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam
[2]CEE: Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia

Africa footprint

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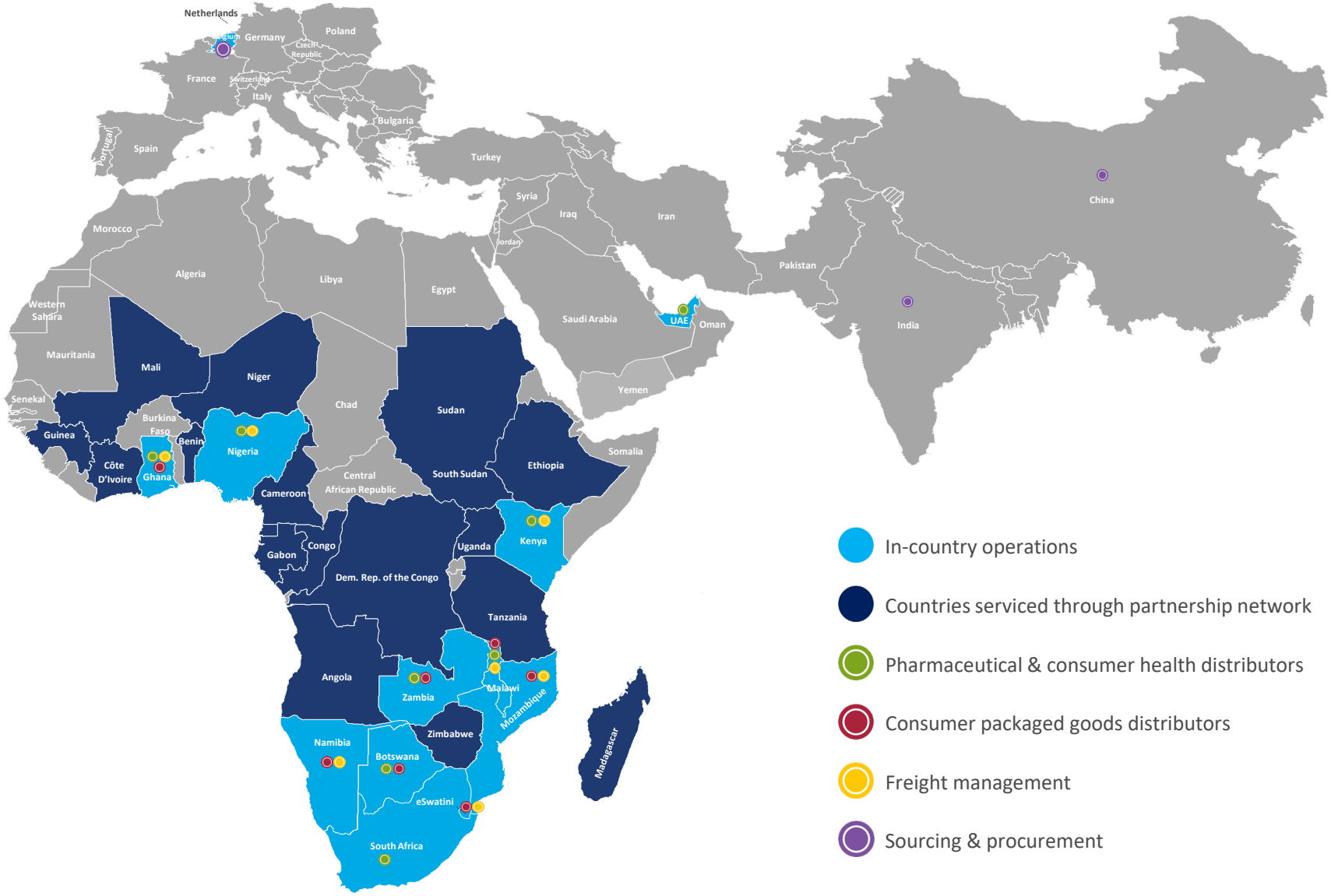

- In-country operations
- Countries serviced through partnership network
- Pharmaceutical & consumer health distributors
- Consumer packaged goods distributors
- Freight management
- Sourcing & procurement

Short term strategic initiatives

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This growth-led strategic focus is supported by the following short term, core strategic initiatives:

- **Growing in Africa**
  - › building on existing & expanding into new capabilities
  - › investing in existing & new geographies that complement our capabilities, industries & client/principal base
  - › evolving client & principal engagement by investing in technology enablement, industry & capability expertise
- **Strategically aligning our International portfolio with our core competitive advantage - Africa**
  - › disposing of shipping (non-core)
  - › exploring growth opportunities - based on the relevance of our capabilities, scale benefits & client relationships - that support trade flows & our supply chain into & out of Africa
- **People & Innovation**
  - › remain critical enablers to our strategy
  - › receive ongoing & increasing focus & investment

Progress against strategy

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Growing in Africa

- Four new acquisitions were successfully concluded (mainly in healthcare & consumer) of R584 million spent in total
- Simplified Solutions in Healthcare (SSiH) model gaining traction
- Demand generation, light contract manufacturing & brand partnership services are being expanded
- Added sourcing & procurement to other industries (previously only healthcare)
- Growing our market access capability in South Africa - focused primarily on healthcare & consumer
- Leveraging best in class processes, practices & technology across the market access businesses

Progress against strategy

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Strategically aligning our International portfolio with our core competitive advantage - Africa

- Progressing the disposal of our international shipping business
  - the market will be kept informed of material developments - targeting to close by 30 June 2020, subject to regulatory approvals
- Exploring potential expansion opportunities into air/ocean freight management

Innovation

- Established a USD20 million innovation fund in partnership with Newtown Partners to position Imperial in disruptive innovation & new technologies
- The fund invests in high-potential start-ups in relevant supply chain & logistics technology areas
- Recorded significant activity since its inception just over 6 months ago

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Environmental, Social & Governance (ESG)

The critical importance of ESG

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- ESG - including climate change & waste management - is high on our agenda, with a number of key initiatives undertaken & in progress
- Our approach to ESG management includes:
  - › robust governance systems, risk management & controls
  - › investing in our employees & cultivating a diverse & inclusive work environment
  - › serving our customers exceptionally & transparently
  - › strengthening the communities in which we live & work
  - › integrating sustainability into our everyday activities & operations
- To ensure ESG is given the relevant level of attention across our business, we have:
  - › established a combined Corporate Social Investment (CSI) & ESG committee for the group - a sub-committee of our social & ethics board committee as a material component
  - › implemented group-wide policies for ESG-related functions
  - › increasing focus on waste management & climate change

Social impact

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Our strategic CSI projects continue to be rolled out across regions, with visible & sustainable positive impact on our communities

- **Unjani Clinics**
  - › currently 72 clinics in the network with a vision to increase the footprint to 100 clinics by the end of calendar 2020
  - › created permanent employment for 260 people, most of which are nurse-preneurs
  - › over 1 million patients served
- **Imperial Road Safety**
  - › IPledge received over 1.5 million pledges since inception
  - › latest programme targets high school learners to enable them to obtain their K53 learner's license
  - › 22 high schools visited since January 2020
- **Imperial & Motus Community Development Trust**
  - › established 43 libraries & resource centres across Gauteng
  - › impacted over 40 000 learners
  - › created 79 permanent jobs
- **SOS Children's Villages in Kecskemét (Hungary)**
  - › supporting basic needs such as accommodation, energy, healthcare & education for children & young adults - most of whom are orphans

Social impact

- **World class eye hospital in Abuja, Nigeria**
  - a partnership with the Tulsi Chanrai Foundation
  - served over 35 000 patients & performed over 700 highly subsidised eye surgeries since inception
  - treated over 20 000 outpatients
  - conducted 96 rural eye camps & screened c.14 000 patients in 2019
- **Differently-abled programme**
  - currently have over 220 differently-abled people on the programme
  - teach coding to deaf students & assist them in finding work
  - training helps bridge the communication barrier between hearing & deaf people
- **Trucking Wellness Centres**
  - a network of 21 primary healthcare roadside wellness centres along major SA routes
  - a fleet of seven mobile wellness centres that travel across South Africa
  - in 2019, c.40 000 people received healthcare education & treatment
- **Established a Global Women's Forum** - women@imperial
- c. R48 million invested in **training & skills development**

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Looking forward

Looking forward

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Based on the first six months of trading - & particularly **the increasingly challenging & volatile economic & market conditions in which we operate** - our outlook **for the financial year to 30 June 2020** is as follows:

We expect Imperial's continuing operations to deliver:

- Single digit revenue growth compared to the prior year
- Low double digit operating profit growth compared to the prior year
- Low double digit growth in continuing HEPS compared to the prior year
- Good free cash flow generation

The balance sheet of the business remains sound, with sufficient headroom in terms of capacity & liquidity to facilitate our organic & acquisitive growth aspirations

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THANK YOU

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Annexure A

Secondary segmental disclosure & IFRS 16 Lease adoption

Simplifying disclosure

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Secondary segmental disclosure provided for the H1 F2020 results is categorised according to our capabilities below:

1. **Freight management (c.49% group revenue; 55% group operating profit)**
   - moves the products of our clients cost-effectively
   - using road, rail, air & ocean transport
   - ideally integrated as multi-modal solutions & as their lead-logistics provider
2. **Market access (c.22% group revenue; 28% group operating profit)**
   - expanded definition from previous "Distributorships"
   - enables growth by taking ownership of product inventory to revenue collection
   - provides our principals & customers with best in class & complete solutions to access their end-consumers through an integrated sourcing, logistics & sales service
3. **Contract logistics (c.29% group revenue; 17% group operating profit)**
   - provides customised warehousing, distribution & other specialised services
   - ideally as part of an integrated supply chain solution
   - focus on removing cost, time & inventory

Secondary segmental disclosure: capabilities per region

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PROFIT or LOSS	Freight Management		Contract Logistics		Market Access		Head Office & Eliminations		Total Logistics	
Rm	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Revenue	**12 380**	13 266	**7 363**	6 839	**5 691**	5 383	**(37)**	(267)	**25 397**	25 221
- South Africa	**4 355**	4 190	**3 072**	2 280	**213**	267	**(37)**	(267)	**7 603**	6 470
- Rest of Africa	**536**	640	**345**	583	**5 478**	5 116			**6 359**	6 339
- International	**7 489**	8 436	**3 946**	3 976					**11 435**	12 412
Operating profit	**898**	798	**284**	300	**453**	401	**1**	1	**1 636**	1 500
- South Africa	**409**	345	**223**	208	**(53)**	(19)	**1**	1	**580**	535
- Rest of Africa	**23**	30	**(18)**	29	**506**	420			**511**	479
- International	**466**	423	**79**	63					**545**	486
Operating margin	**7.3**	6.0	**3.9**	4.4	**8.0**	7.4			**6.4**	5.9
- South Africa	**9.4**	8.2	**7.3**	9.1	**(24.9)**	(7.1)			**7.6**	8.3
- Rest of Africa	**4.3**	4.7	**(5.2)**	5.0	**9.2**	8.2			**8.0**	7.6
- International	**6.2**	5.0	**2.0**	1.6					**4.8**	3.9
Profit before tax	**710**	574	**148**	131	**292**	217	**1**	90	**1 151**	1 012
- South Africa	**393**	303	**147**	104	**(65)**	(27)	**1**	90	**476**	470
- Rest of Africa	**19**	22	**(29)**	19	**357**	244			**347**	285
- International	**298**	249	**30**	8					**328**	257
Working capital	**951**	902	**(492)**	286	**1 752**	1 574	**(123)**	(270)	**2 088**	2 492
Invested capital	**13 218**	14 799	**3 985**	5 517	**3 700**	3 852	**(106)**	(52)	**20 797**	24 116
Net capex	**545**	381	**216**	296	**65**	22	**(11)**	1	**815**	700

IFRS 16 lease adoption

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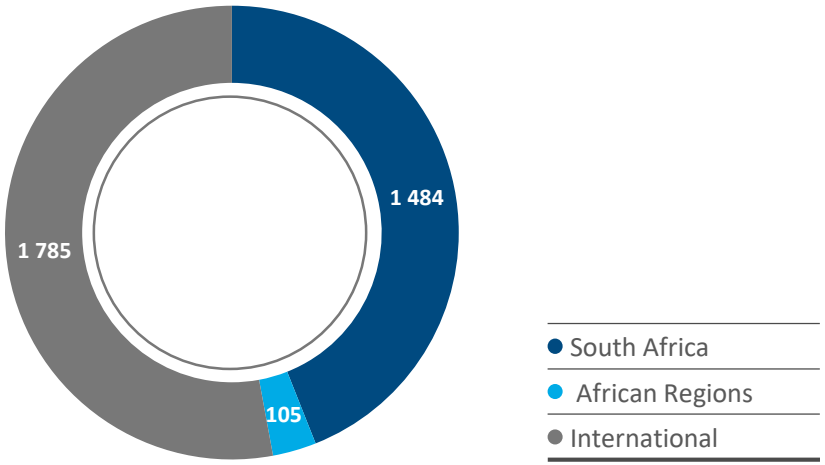
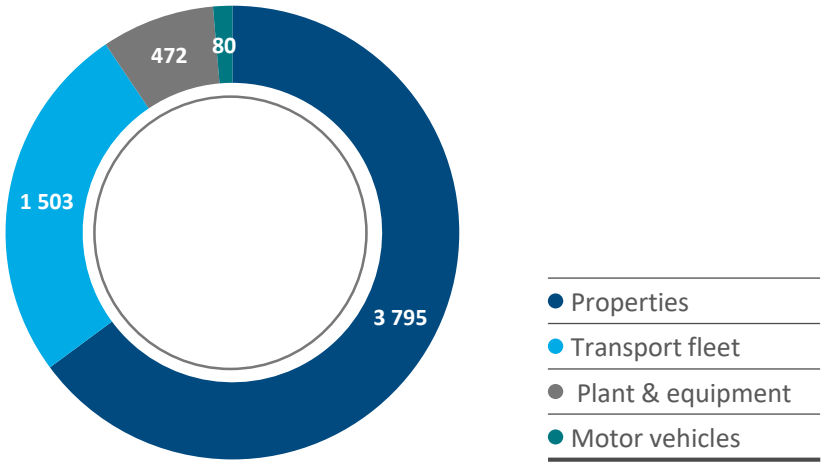
Number of leases by segment



Leases by asset value (Rm)



Effective date & approach

- Effective 1 July 2019
- Replaces IAS 17 applied in previous periods
- Adopted retrospective approach:
  - restated balance sheets for F2018, H1 F2019 & F2019
  - restated all 2019 results
- Opted to exclude short-term leases & low value assets
- Lease obligations have been established after undertaking an extensive exercise evaluating 3 374 leases

Key principles

- At inception, recognised a lease obligation at fair value & a right-of-use asset
- The right of use asset is amortised on a straight-line basis is also subjected to impairments tests
- Interest on the lease obligation is expensed
- Amortisation & interest replaces the rental expense recognised under IAS 17
- At maturity of the lease the ROU assets & lease obligations are derecognised

IFRS 16 impact on H1 F2020 continuing operations

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Profit or loss (Rm)	Total operations	South Africa	African Regions	International
EBITDA	**936**	242	64	630
Depreciation	**(798)**	(200)	(48)	(550)
Operating profit	**138**	42	16	80
Interest	**(125)**	(53)	(17)	(55)
Profit before tax, exceptional items & foreign exchange gains	**13**	(11)	(1)	25
Financial position				
Total assets	**4 647**	1 351	383	2 913
Total liabilities	**4 997**	1 523	430	3 044
Equity	**(350)**	(172)	(47)	(131)

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Annexure B

Key industry verticals: trends & context

Healthcare context

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- Healthcare business achieved double digit revenue growth
- Maintained or grew market share & secured new business
- East & West Africa grew revenue despite highly competitive & challenging markets
- Greater demand for quality healthcare supported by:
  - rising consumerism & government health expenditure
  - urbanisation & favorable population demographics
  - strengthening of healthcare systems
  - continuing focus above country & at government level on developing universal health coverage
- Consolidation of healthcare channels (including in Nigeria & Kenya)
  - bring efficiencies as we strive to connect more patients to quality healthcare products

Healthcare growth opportunities

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- We will pursue the growth opportunities arising from:
  - global serialisation regulations
  - variability in requirements between countries & pro-national regulations
  - emerging issue of substandard health products
- Exploit synergies between our consumer & healthcare businesses
- Invest in new capabilities, technology & geographies
- Provide a pan-African solution for pharma companies looking to access the fast-growing healthcare markets in the rest of Africa by leveraging our:
  - significant Anglophone sub-Saharan Africa footprint
  - unique capabilities in this sector
- Our medical supplies & kitting business (Imres) has increased its kitting capacity to meet additional global demands
  - well-positioned in entering into new contracts with large global donor organisations

Consumer

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Context

- Significant new business secured despite difficult trading conditions & depressed volumes
- Exited the multi-principal distribution model in CPG in South Africa
- Redirected focus on the dedicated contracts component of the consumer business
- Retained c.80% of the CPG ambient contracts
- Increased focus on the active acquisition of new business & contract renewal due to:
  - sluggish retail sales
  - store consolidation
  - range rationalisation
  - volume declines

Growth opportunities

- In the rest of Africa, suppliers continue to focus on depth of distribution as a way to extract value for their business & increase both volumes & profitability
- The largely untapped informal retail market are particularly attractive - both areas in which we offer market access scale, reach, expertise & track record
- Leveraging our data expertise to streamline distribution & reduce costs
- E-commerce remains pivotal to the future growth of this sector
  - developing competencies & solutions in this segment as part of our short & mid-term strategies

Automotive

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Context

- Despite declining volumes, new business won
- Successful implementations undertaken for both longstanding & new clients
  - working jointly to determine future opportunities within new regions of operation
- Key disruptors in this sector include:
  - electrification
  - ongoing, severe cost-cutting measures by OEMs & related partners

Growth opportunities

- Our diverse portfolio & track record ensure we remain well positioned to leverage & withstand disruptors & trends
- Opportunities being explored in European & Chinese car battery, aftermarket parts & tyre markets to mitigate ongoing volume declines
  - will deliver future growth amid the cost cutting & investment shifts evident in this industry

Chemicals & energy

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Context

- An industry with diverse economic cycles
- Our scale, reach, expertise & technology serve as a buffer against volume declines
- Our performance remains resilient - revenue generated mainly under long-term contracts
- We realised new business gains
- A significant player in the bulk & packed fuel & gas sector in South Africa
- A primary supplier of fuels into various countries in sub-Saharan Africa

Growth opportunities

- Well placed to leverage the opportunities associated with the global transition to renewable energy sources
  - lithium battery logistics, for example
- Our rapid pace of innovation differentiates us in this sector
  - sophisticated, customised solutions
  - underpinned by our digitalisation & data science expertise

Industrial & mining

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Context

- Despite volume declines, new business won
- Proven ability to provide clients with integrated, end-to-end solutions - a competitive advantage
- Continue to drive cross selling & increase our share of wallet within our existing client base
- Mining solutions are focused predominately in Southern Africa:
  - transportation solutions for bulk commodities like iron ore into manufacturing facilities
  - delivery of chrome, magnetite & magnesium into export ports & terminals
- Imperial Advance, our strategic B-BBEE entity - specialising in the mining, chemicals & energy sectors - has established a very strong sales pipeline over the past 6 months

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Growth opportunities

- National & multinational companies prefer to partner with large, multimodal service providers to manage multifaceted supply chains
  - include vendors, labour, manufacturers, assets, technologies, data
- Further invest in strategic account management teams & senior-level sales talent in:
  - 4PL services
  - contract logistics
- Rapid pace of automation & technological innovation provides opportunities to guide clients in applying cutting-edge thinking
- Investing in robotics, machine learning & systems engineering - actively acquiring practical knowledge for client benefit
- Initiatives & active research on solutions involving advanced automation & intelligent machines will continue:
  - robots & cobots (collaborative robots)
  - automated sortation systems & automated guided vehicles
  - goods-to-person systems

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Annexure C

End-to-end value chain & positioning in Africa

End-to-end value chain

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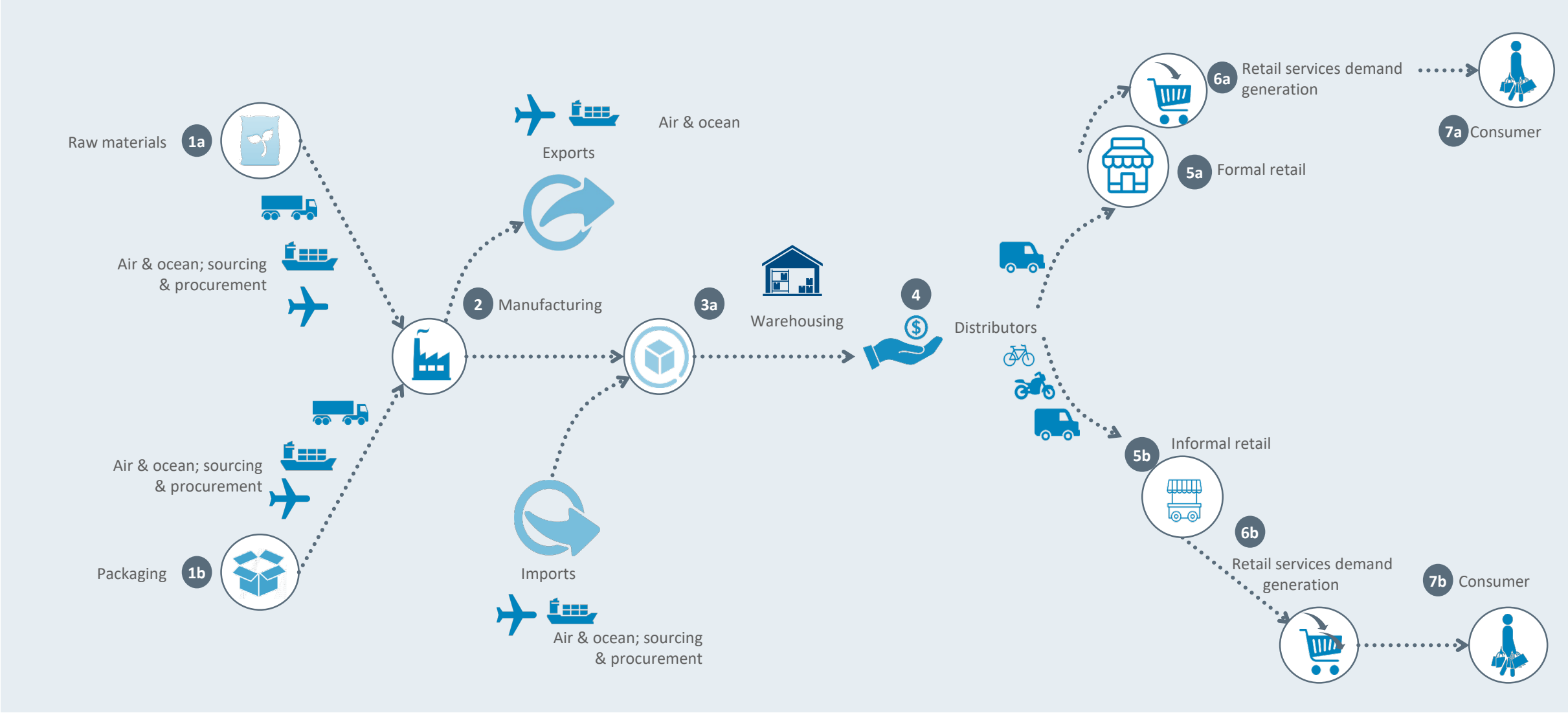

Key drivers of consumer demand in Africa

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1. Urbanisation

- Urbanisation will bring huge social, economic & environmental transformations
- Urban population in Africa will increase to 56% in 2050 from 35% in 2010

2. Population & Demographics

- Africa's young population is expected to drive consumption & economic growth in the coming decades
- Median age is expected to increase to 25.4 years in 2050

3. Growth of middle & upper classes

- In the next few years, more than half of all African households are expected to have discretionary income
- Creation of an "upper class" is emerging in certain African countries

4. ICTs & formal markets

- Two out of three Africans now have internet access & its the fastest-growing mobile telecom market in the world
- The spread of mobile phones has increased the usage of bank accounts

5. E-commerce

- The digital age is increasingly disrupting the retail industry globally
- Online shopping may offer even greater value for those living outside the big cities where the choice of goods available may be limited

6. Brand recognition & importance

- Brand recognition is highly important to African buyers, who often refer to products by an associated brand name
- Multinationals providing recognisable international brands continue to report strong profitability in their African investments

Leading healthcare distributor in West, East & Southern Africa

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Employees & locations

Over 1 900 employees

Based in 9 countries

Tailored solutions

Customised market access solutions suited to the clients needs

Fully compliant facilities

Operations

Owned & outsourced fleet of vehicles

Over 100 000m² warehouse space in 27 locations

43 million patient packs of medicine delivered monthly

Innovator, Generics & OTC

Distribution agreements with over 100 principals

Reach to more than 54 000 points of sale

Unmatched access to formal & informal consumer markets

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Employees & locations

Over 2 600 employees

Based in 8 countries across Africa

Tailored solutions

Customised market access solutions suited to the clients needs

Value added solutions across markets

Operations

Owned & outsourced fleet of vehicles

Over 110 000m² warehouse space

In excess of 25 million cases picked in the last year

Over 200 towns & 64 districts covered

Distribution agreements with 167 principals

Reach to more than 30 000 points of sale

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Annexure D

Environmental, Social & Governance (ESG) progress

Progress & milestones: Environmental (E)

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- Reported on Carbon & Emissions as per latest GHG Protocol (2014) since 2007
- Active participants on the JSE SRI Index since its inception in 2004
  - › founded on the principle of the triple bottom line - environmental, social & economic sustainability
  - › ensures policies & practices are globally aligned, underpinned by good corporate governance
- Participants in the London Stock Exchange FTSE4GOOD Index Series
  - › a pioneering global sustainable investment index series
  - › designed to identify companies that demonstrate strong ESG practices
- Recipients of the Vigeo Eiris Best EM Performers
  - › ranks best performing companies from emerging markets in a best in class approach
- Active participant in the Carbon Disclosure Project (CDP) - Climate Change since c.2007
  - › current rating is B: higher than the Global Average of C, higher than the Africa regional average of B-
- Participate in the EcoVadis rating evaluation
  - › evaluations cover environment, labour & human rights, ethics & sustainable procurement
- ISO14001 & ISO 5001 Environment & Energy certification undertaken in our International business
- OHSAS 18001 Health & Safety certification & ISO9001 Quality certification across most of the business

Progress & milestones: Social (S)

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- Identified healthcare, education & skills development as strategic imperatives
- Established a sub-committee that oversees CSI, ESG & Enterprise Development
- Subscribe to principles of the UN Global Compact to best align strategies & operations with universal principals on human rights, labour, environment & anti-corruption
- Our strategic CSI projects continue to be rolled across regions, with visible & sustainable positive impact on our communities (more detail included on earlier slides)

Progress & milestones: Governance (G)

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- Have a formalised Code of Ethics
- Conform to the requirements of FTSE4GOOD socially responsible Investment Index
- Abide by the 10 Principles as set out in the United Nations Global Compact Principles
- Conform to the OECD recommendations regarding corruption
- Implemented an enterprise risk model to identify & assess risks facing the group at strategic, business & operational levels
  - model is based on ISO 31000:2009 - Risk Management Principles & Guidelines
- Global whistle-blowing & tip-off channels in place
  - operated by independent service providers
  - enables all stakeholders to report concerns anonymously

Recognition & Awards:

- Healthcare business in Nigeria recognised by the London Stock Exchange Group as one of the Companies to Inspire Africa for 2019 - also received the 2018 Best Compliant Pharmaceutical Importer Award from the National Agency for Food Administration & Control
- SA Investment Analyst Society: Best in Category corporate reporting awards

Disclaimer

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Certain statements made in this presentation constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as ‘believes’, ‘expects’, ‘may’, ‘will’, ‘could’, ‘should’, ‘intends’, ‘estimates’, ‘plans’, ‘assumes’ or ‘anticipates’ or the negative thereof or other variations thereon or comparable terminology, or by discussions of, e.g. future plans, present or future events, or strategy that involve risks & uncertainties. Such forward-looking statements are subject to a number of risks & uncertainties, many of which are beyond the company's control & all of which are based on the company's current beliefs & expectations about future events. Such statements are based on current expectations &, by their nature, are subject to a number of risks & uncertainties that could cause actual results & performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks & uncertainties facing the company & its subsidiaries. The forward-looking statements contained in this presentation speak only as of the date of this presentation. The company undertakes no duty to, & will not necessarily, update any of them in light of new information or future events, except to the extent required by applicable law or regulation. Furthermore, the forecast financial information herein has not been reviewed or reported on by Imperial’s auditors.