



25 September 2018

Imperial Brands plc will host a capital markets event in London this afternoon focused on the Group's Next Generation Products (NGP) business. Ahead of its close period commencing on 1 October, Imperial Brands is also issuing today the following trading update confirming it is on track to deliver full year constant currency revenue and earnings in line with the guidance range.

Building blu: Capital Markets Event

Today's event will provide insights into how we are executing against our NGP strategy. At the heart of our strategy is a desire to create something better for the world's smokers. We want smokers to switch to alternative products with lower health risks. We are enabling this transition by providing an outstanding vaping experience, endorsed by a trusted brand and underpinned by leading edge science.

The presentations will set out the considerable potential NGP offers and why this is also additive for Imperial and its shareholders. We will highlight how we are developing the pioneering brand blu with a compelling vaping proposition and a dynamic innovation pipeline to appeal to adult smokers. Our omnichannel approach is building distribution strength across traditional retail outlets, vape stores and online, ensuring our products are available when and where smokers want to buy them.

The strong growth in sales of *myblu*, with an increasing rate of pod repurchase, reflects a really positive response from smokers, vapers and retailers across our current market footprint. Revenues have been gaining momentum this year, resulting in an annualised exit run-rate of around £0.3bn, positioning the Group well for accelerated growth in FY19 and beyond.

Our NGP ambitions are reflected in our management incentives to deliver compound annual revenue growth of 35-150% over the three years to FY20. The upper end of this range equates to NGP revenues of around £1.5 billion in FY20. We also have clear levers to drive profitability and expect the NGP business to begin to contribute to Group profit as we exit FY19, with margins continuing to build thereafter.

We are also announcing today plans to launch, Pulze, a heated tobacco product early next calendar year.

Presentation materials will be posted on our website www.imperialbrandsplc.com.

Pre-close Trading Update

Our business is performing well and we remain on track to deliver full year constant currency revenue and earnings growth in line with our guidance range.

- **NGP is on track with sales of *myblu* building in key vapour markets**
- **Stronger second half with improved tobacco price/mix and growing NGP revenues**
- **Focus on quality growth with continued share gains from Growth Brands**

As guided at our half year results, our tobacco business is delivering a much stronger second half. Volumes for the full year will outperform the industry, albeit the second half volumes were slightly weaker than the first. This will be more than offset by significantly stronger tobacco price/mix in the second half, which together with increased NGP revenue, will result in revenue growth in line with our guidance range.

Our ongoing cost optimisation savings will be slightly above our original expectations of £100 million, while other gains included in adjusted operating profit will be within our expected range of £50m to £100m (2017: £114m).

Translation FX at current rate of exchange is expected to impact earnings by c. 3%.

The divestment programme we announced in our interim results is on track and progressing well. During the half, we announced the disposal of a further 10% of our holding in Logista SA realising gross proceeds of £235m.

The preliminary results for the year ended 30 September 2018 will be announced on 6 November 2018.

Segmental Reporting

As our NGP business is becoming a more material part of the Group, we intend to change our segmental reporting for the year ending 30 September 2019. The significant growth potential from NGP, across both our Returns and Growth Markets, means the rationale for our current segmentation is becoming less relevant. Therefore we intend to move to a regional geographic segmentation for future reporting. In addition, all NGP revenue and profit, which is currently reported in our Growth Markets segment, will in future be included within the countries and segments where the sales occur. We will also separately disclose our NGP revenue. Further details, including FY18 comparators on the new basis, will be provided with our full year results.

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