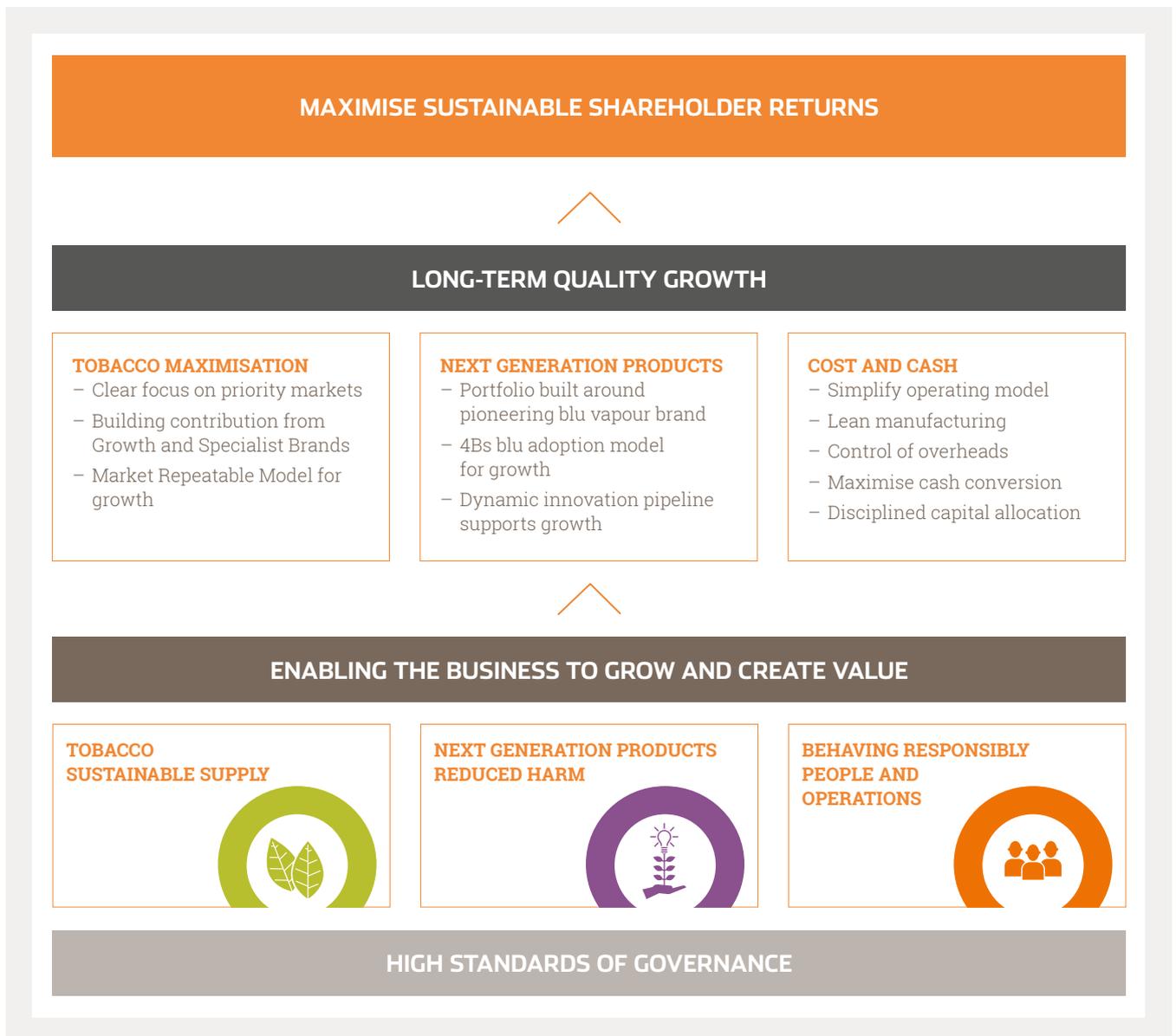


FOCUSED ON QUALITY GROWTH

OUR STRATEGY

Our strategy is aligned to our purpose of creating something better for the world's smokers and focuses on driving results in three key areas. In Tobacco we are maximising opportunities for our Growth Brands in priority markets. Through our growing portfolio of Next Generation Products we are providing adult smokers with a range of less harmful alternatives to cigarettes, with a particular focus on the vapour category. The disciplined approach we take to managing cost and cash provides the funds to invest in growth. Our updated sustainability strategy supports our commercial and public health ambitions, and everything we do is underpinned by high standards of governance.

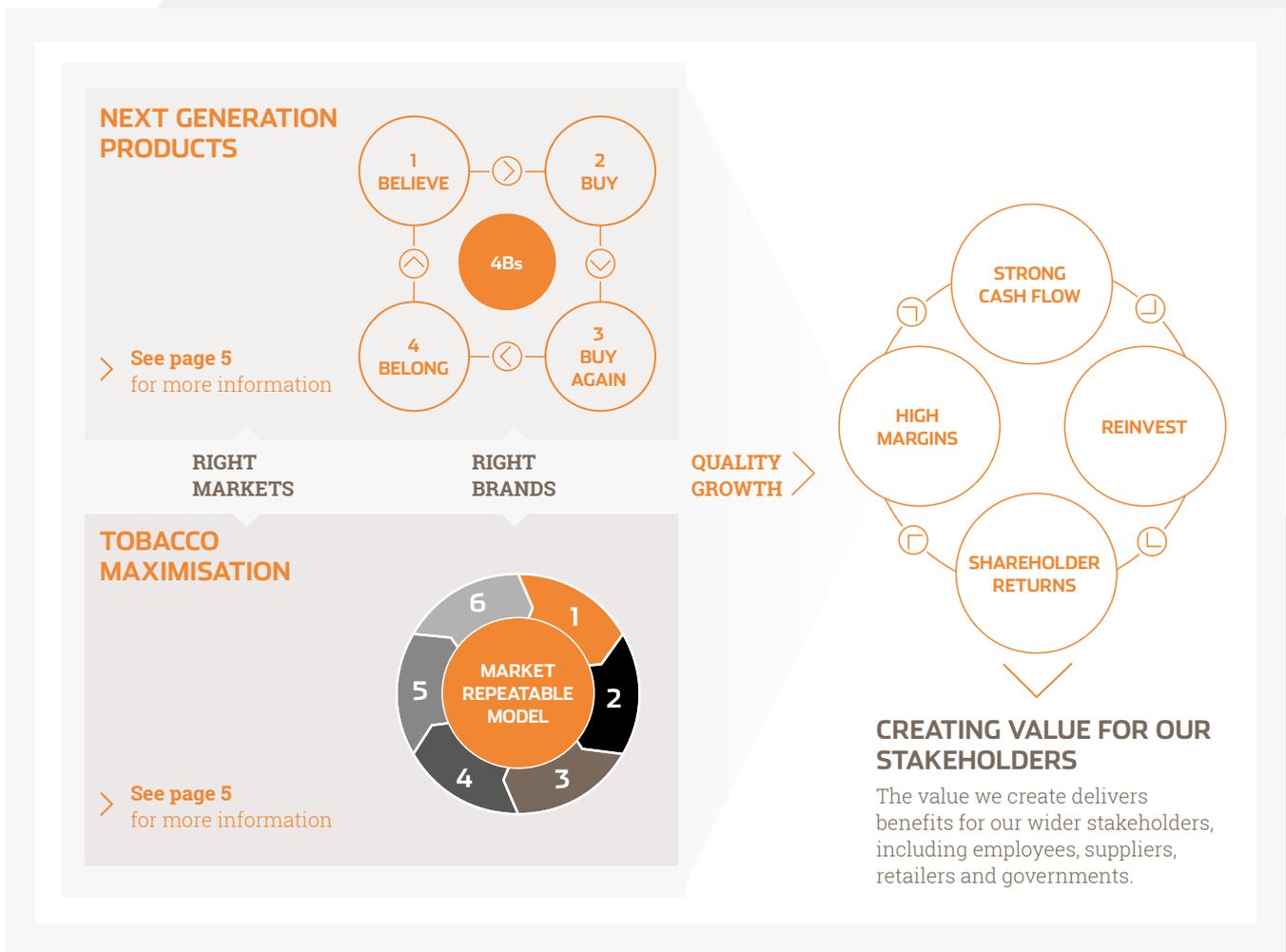


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for more on our sustainability strategy

HOW WE CREATE VALUE

OUR BUSINESS MODEL

We have also evolved our business model to more clearly explain how Tobacco Maximisation and Next Generation Products (NGP) create value. We have two distinct growth models, our Market Repeatable Model for tobacco and the 4Bs for NGP. Consistently applying these models to the right markets and the right brands is key for delivering quality growth. Our high operating margins drive the strong cash flows that are a hallmark of our business and although NGP may initially dilute these margins we expect to see profitability improve over time. We use the cash we generate to reinvest to support growth, pay down debt or return to shareholders through dividends.





'Believe' is the first element of our 4Bs blu adoption model. This is about triggering connections and raising awareness of the brand amongst adult smokers through a variety of methods, including responsible marketing. The aim is to encourage smokers to understand that blu truly does offer something better than cigarettes.



Smokers who believe are inspired to buy. We take an omnichannel approach, with sales across traditional retail outlets, specialist vape stores and online. Online sales are age verified and we insist that our retail outlet and vape store partners only ever sell to adults.



We want smokers to stay with blu and not revert to smoking, so we welcome blu users to belong to a thriving community (blu.com). It is here that we deepen our connection with consumers and increase the level of interaction. This includes offering exclusive access to products and promotions and the chance to participate in our bluNation loyalty programme.



'Buy again' is about generating repeat purchase. A smoker who has had a positive initial experience with blu will have the confidence to buy again. It is the start of building brand loyalty and relies on a frictionless omnichannel experience, ensuring our products are always available when and where smokers want to buy them.



SIMPLE MARKET FOCUSED PORTFOLIO

Our Market Repeatable Model starts with a simple market focused portfolio that is built around an optimal number of brands and stock keeping units that are aligned with consumer needs. Our strongest assets are our Growth and Specialist Brands and we focus on driving their performance to generate quality market share growth.



SUSTAINABLE BRAND INVESTMENTS

Our simple portfolios drive a sharper focus on investments, as the lack of complexity makes it easier to prioritise investment behind our Growth and Specialist Brands. We build brand equity through a regular drumbeat of targeted initiatives, including above-the-line and point of sale advertising and consumer activations to create brand awareness.



HONEST ACCURATE LEARNING

The final step of the model is about continuous improvement through honest and accurate learning. Markets measure their performance against agreed metrics and learnings are shared with the wider business. This includes being honest, both when things go well and when things do not turn out as planned, ensuring we build capabilities, improve together and continually optimise the model.



ALWAYS ON PRICE STRATEGY

The third element of this dynamic growth model is about the pricing of our brands. We make sure that all markets across our geographic footprint develop and implement a consistent pricing strategy for their portfolios and continually monitor our operating environment to ensure that the pricing of our brands remains competitive.



TAILOR CUSTOMER SOLUTIONS

In a continually evolving regulatory environment, retailers are an increasingly important part of the shopper brand purchasing experience. We focus on developing strong retail partnerships, creating tailored customer solutions that provide retailers with real commercial benefits and encourage them to become advocates for our brands.



CORE RANGE EVERYWHERE ALL THE TIME

Ensuring the core range of our brands is always available is crucial for building consumer loyalty. We make sure that the right brands are available in the right outlets at all times. This targeting is enabled by the simplicity of our portfolios, which are welcomed by retailers as they have less complexity to deal with and enjoy lower working capital.