

# Morgan Stanley Global Consumer Conference

Imperial Tobacco Group PLC

15 November 2011

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# Unlocking Our Potential

Bob Dyrbus  
Finance Director

# Our Strategy



## Delivering Sustainable Shareholder Returns

Cost  
Optimisation

Sales  
Growth

Cash  
Utilisation

### Our Key Assets

Market  
Footprint

Total  
Tobacco

Brand  
Equity

People

### Sales Growth Drivers

Portfolio  
Management

Innovation

Pricing

Customer  
Engagement

### Key Enablers

Consumer Centric

Execution Excellence

Future Foundations

# FY11 Highlights

delivering our strategy



## Sales growth



- sales and profit momentum through Total Tobacco
- EU: profit model delivering; Germany +7%, Rest of EU +3%
- Non-EU: emerging market momentum; profit +10%

## Cost optimisation



- strong tobacco operating margins; above 42%; Non-EU +150bps
- ongoing efficiency focus: productivity +3%

## Cash utilisation



- 88% cash conversion; free cash flow £1.6bn\*
- +13% dividend per share
- £181m buyback

\* Free cash flow before dividends and share buybacks. Percentage changes reflect underlying constant currency performance

# Unlocking Our Potential

## Seeing Things Differently



## Doing Things Differently



# Sales Growth Drivers



# Our Key Enablers



Understanding consumer needs



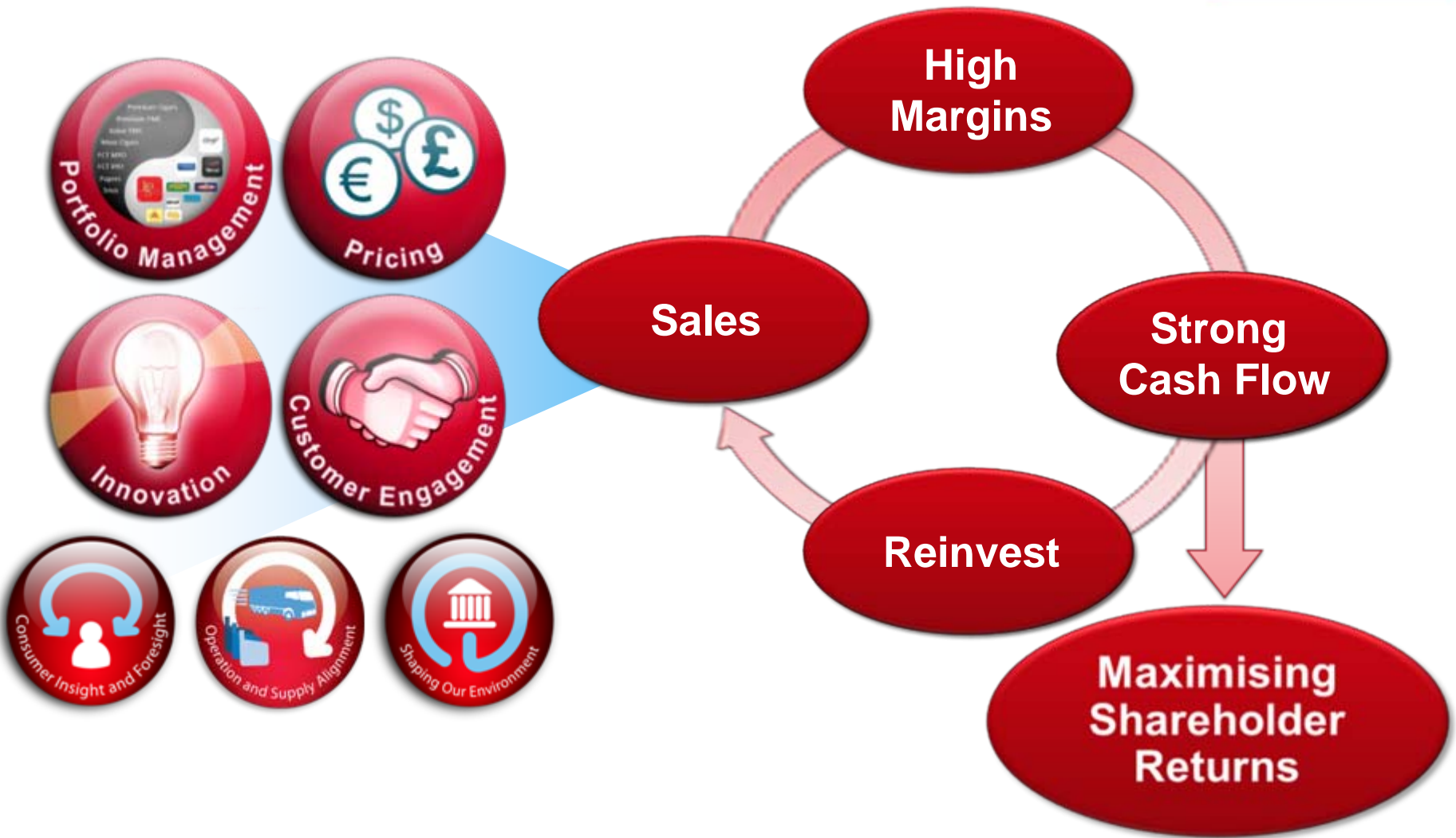
Fast from idea to implementation



Proactively engaging for rational regulation



# Maximising Shareholder Returns



# Sales Growth Drivers

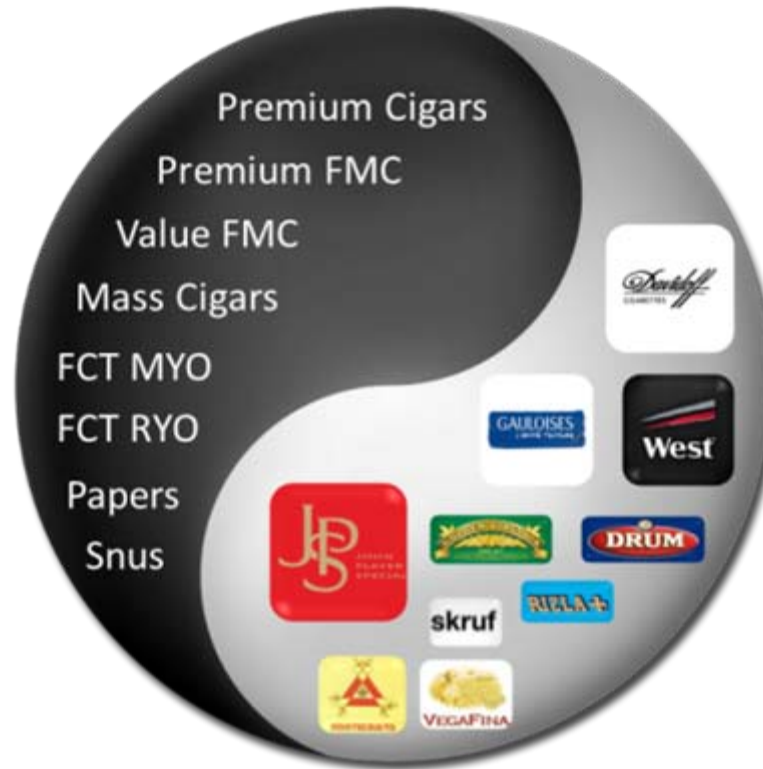


**More Consumers, More Occasions**

# More Consumers, More Occasions



**Total  
Tobacco**



**Brand  
Equity**

**Same Consumer,  
Multiple Needs for  
Multiple Occasions**

**Behavioural Opportunities, Motivational Opportunities**

# Davidoff

FY11: +6% to 18 billion



## Strong sales momentum



- classic line growth post rejuvenation
- new variant launches in key growth segments
- volumes up in 8 of top 10 markets
  - ◆ +9% Saudi Arabia
  - ◆ +11% Taiwan
  - ◆ +12% Ukraine
  - ◆ +33% Russia

# Gauloises Blondes

FY11: +2% to 29 billion\*



## Strong underlying momentum



- expanded distribution
- +12% top five markets
- +28% in North Africa
  - ◆ further gains in Algeria and Morocco

# West

FY11: -2% to 25 billion\*

## Growth in Eastern Europe and Asia



- capitalising on consumer growth segments
- emerging market momentum
  - ◆ +8% Russia
  - ◆ +18% Taiwan

# JPS

FY11: +12% to 24 billion\*



## Meeting consumer value trends



- another excellent year
- growth in 7 of top 10 markets
  - ◆ +8% Germany
  - ◆ +34% UK
  - ◆ >+100% in Australasia



# Fine Cut Tobacco

FY11: +4% to 41 billion\*



## Continued strong momentum



- strong value proposition
  - ◆ +49% Route 66
  - ◆ +16% West
  - ◆ +14% JPS
- capitalised on Spanish opportunity
  - ◆ Ducados Rubio market leader

# Habanos

FY11: +4% volumes in Non-EU



## Exclusive editions driving sales growth

- strong emerging market growth
- excellent momentum in Brazil, Russia and China
- +5% sales; +12% sales in Non-EU

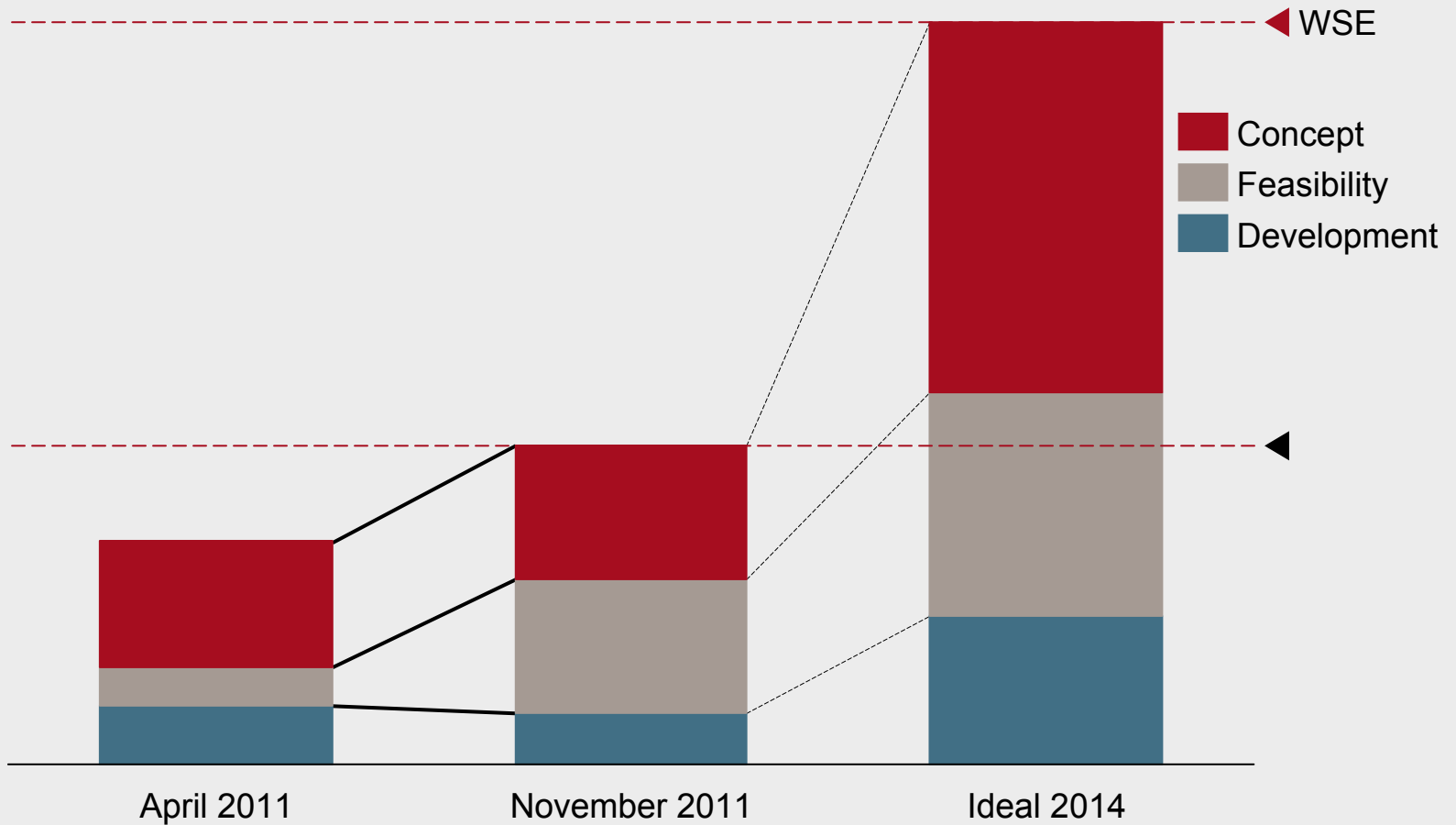


# Sales Growth Drivers



**New Consumer Choices**

# Incremental Growth Pipeline



# High Return Innovation Model



## Industry Mindset

- product feature improvements
- technology based
- replacement of slow moving
- FMC premiumisation

## Imperial Focus

- consumer untranslated needs
- co-created with consumers
- incremental/brand switchers
- Total Tobacco, multi-market

# Exploiting Scalable Innovation

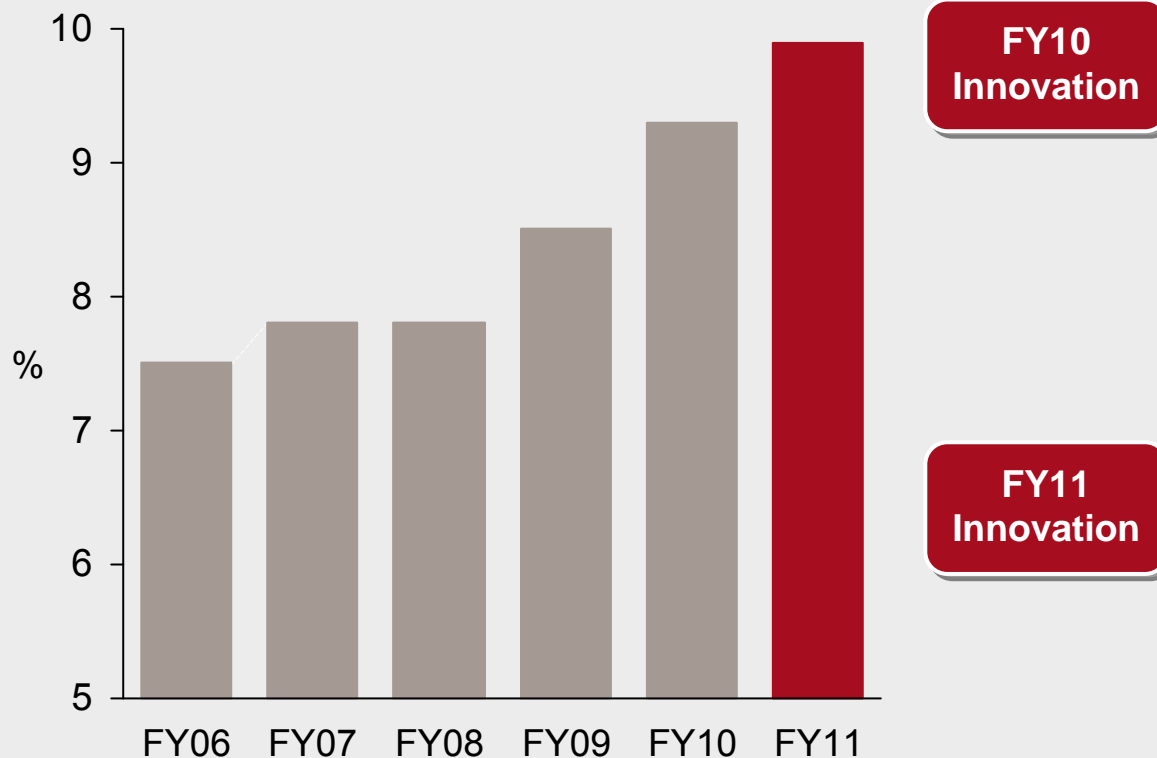


- patented GlideTec innovation
- consumer “wow” effect
- initial launch in UK – Asda, BP, Shell & Esso
- significant capacity investment
- multi market roll-out planned

# Innovation Within Value Segment

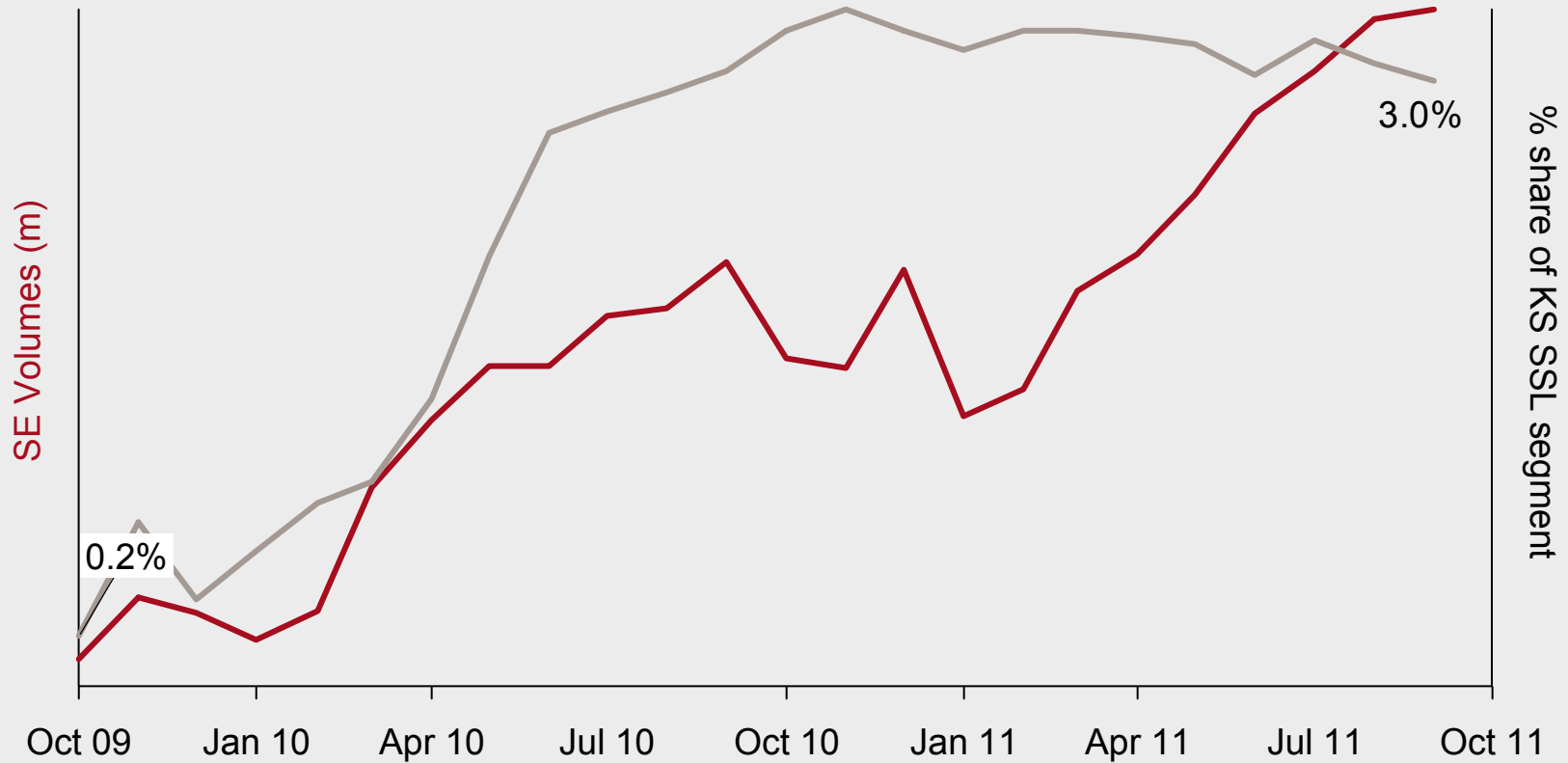


## JPS German Cigarette Market Share



# West Fusion in Russia

growth within growth segment





# Sales Growth Drivers



**Maximising Revenue Growth**

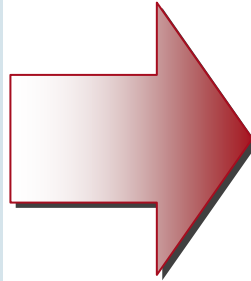
# Enhancing Our Capabilities

proactively managing pricing and excise



## Think Ahead

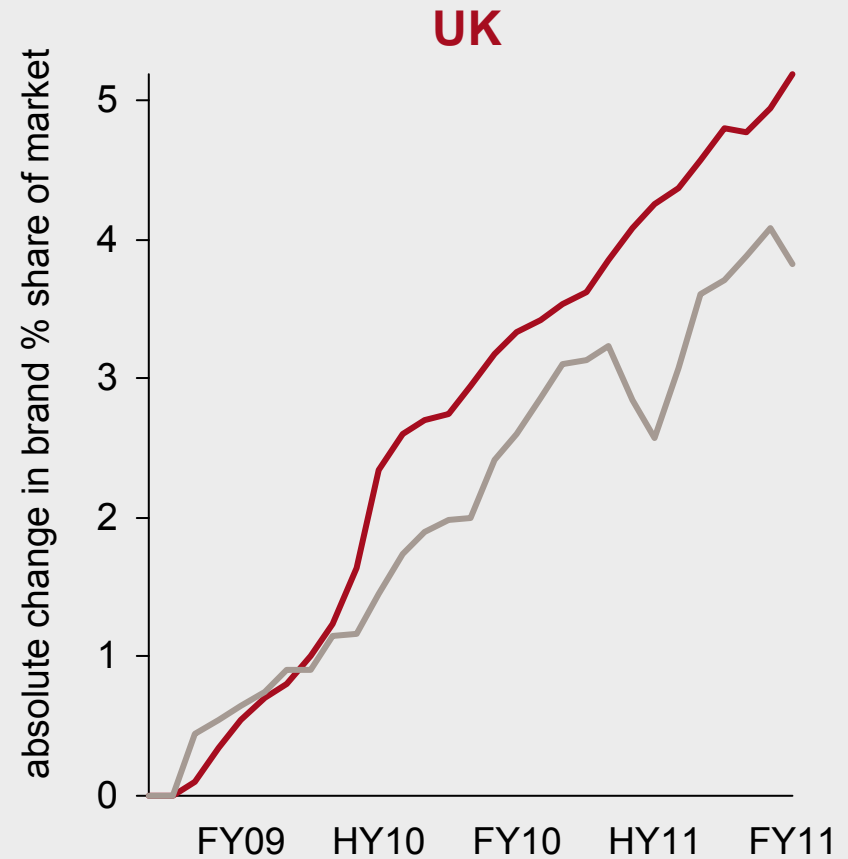
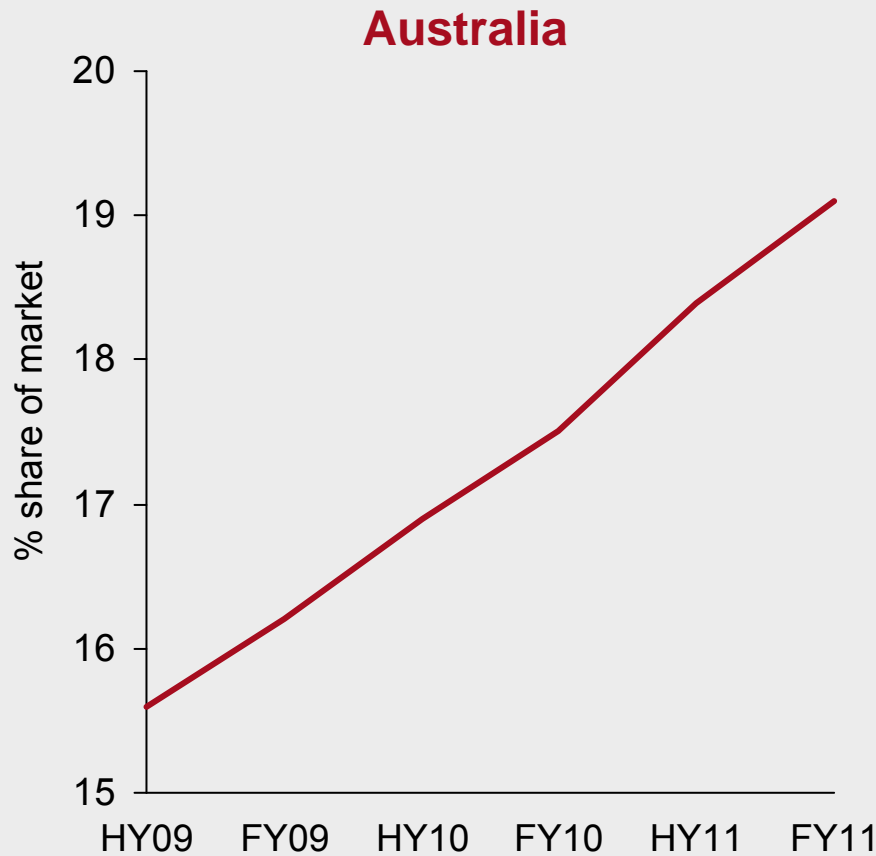
- multivariable scenario modelling
- proactive excise management



## Innovate & Lead

- occasion based pricing approach
- brand pack price per channel strategies

# Pricing Strategy Drives Growth



# Sales Growth Drivers



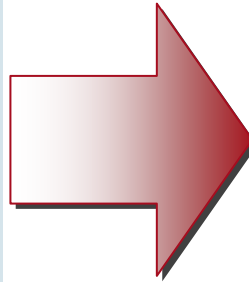
**Availability and Advocacy**

# Morocco RTM Strategy



## Previous Distribution System

- cash and carry deliveries
- truck deliveries to rural areas
- van deliveries to urban customers



## New Distribution System

- focus on truck and van deliveries
- cash and carry's closed
- improved efficiency and customer service
- telesales operation for greater delivery capacity

# Outperforming in Dark Markets

trade marketing optimisation

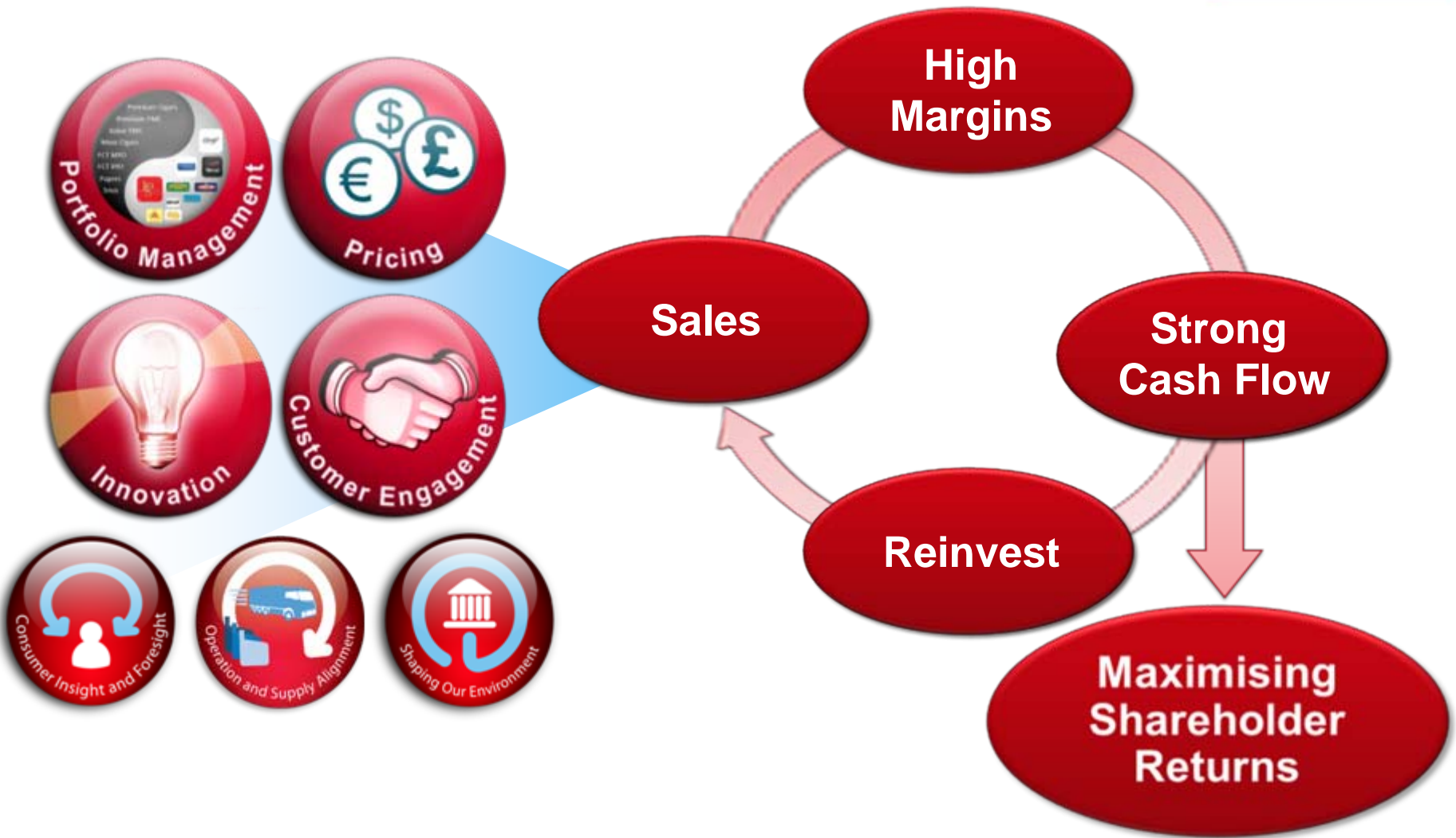


- Australia increased share by +1.6% to 19.1% in FY11
- Norway market share of snus up +0.9% and cigarettes up +0.2% in FY11

# Sales Growth Drivers



# Maximising Shareholder Returns





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