

# Sanford Bernstein Conference 2011

Imperial Tobacco Group PLC

London

21 September 2011

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# Unlocking Our Potential

**Alison Cooper**  
**Chief Executive**

# 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

Customer  
Engagement

Pricing

### Key Enablers

Consumer Centric

Execution Excellence

Future Foundations

# HY11: Delivering Our Strategy

## Building sustainable sales



- success across international footprint
- driving growth through total tobacco

## Disciplined cost management



- investing for growth
- margins increased

## Effectively managing cash



- strong 12 month cash conversion
- dividend growth ahead of adjusted EPS growth
- share buyback commenced May 2011

# 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

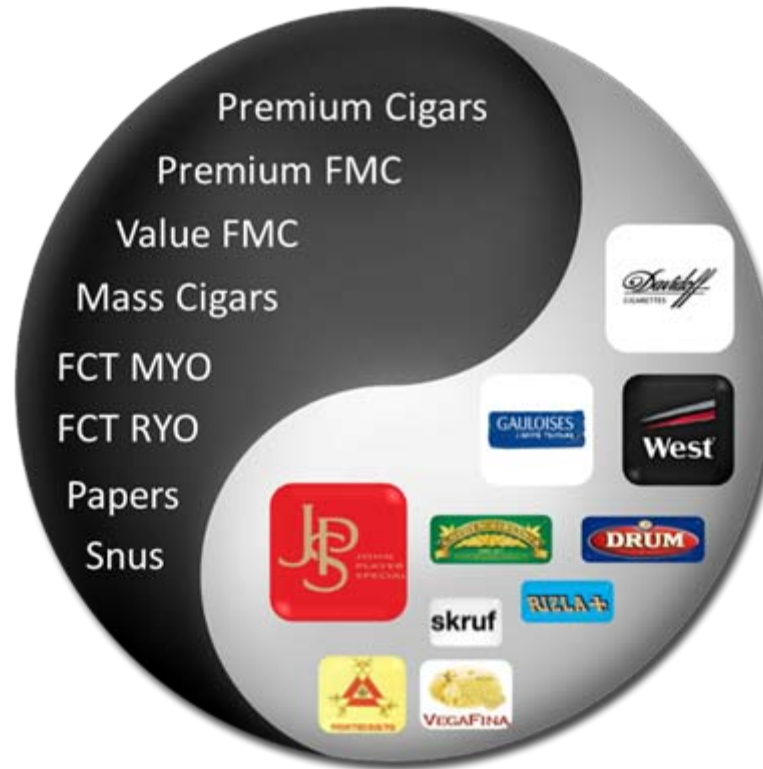


## More Consumers, More Occasions

# More Consumers, More Occasions



**Total  
Tobacco**



**Brand  
Equity**

## Same Consumer, Multiple Needs for Multiple Occasions

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This is because we currently do not feature tobacco product brand imagery on our website.

## Behavioural Opportunities, Motivational Opportunities

# Davidoff in 2006



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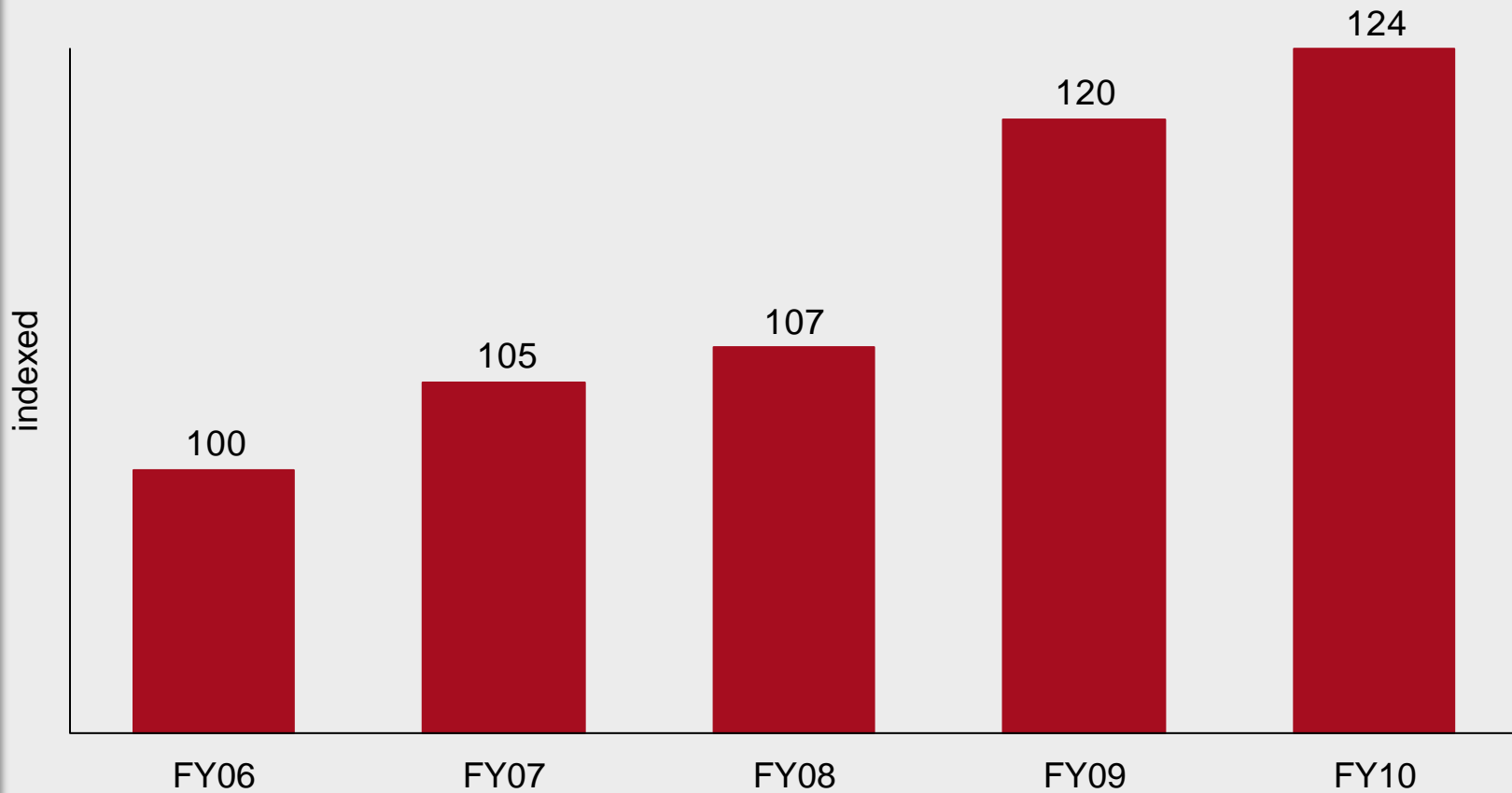
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# Davidoff Volume Growth

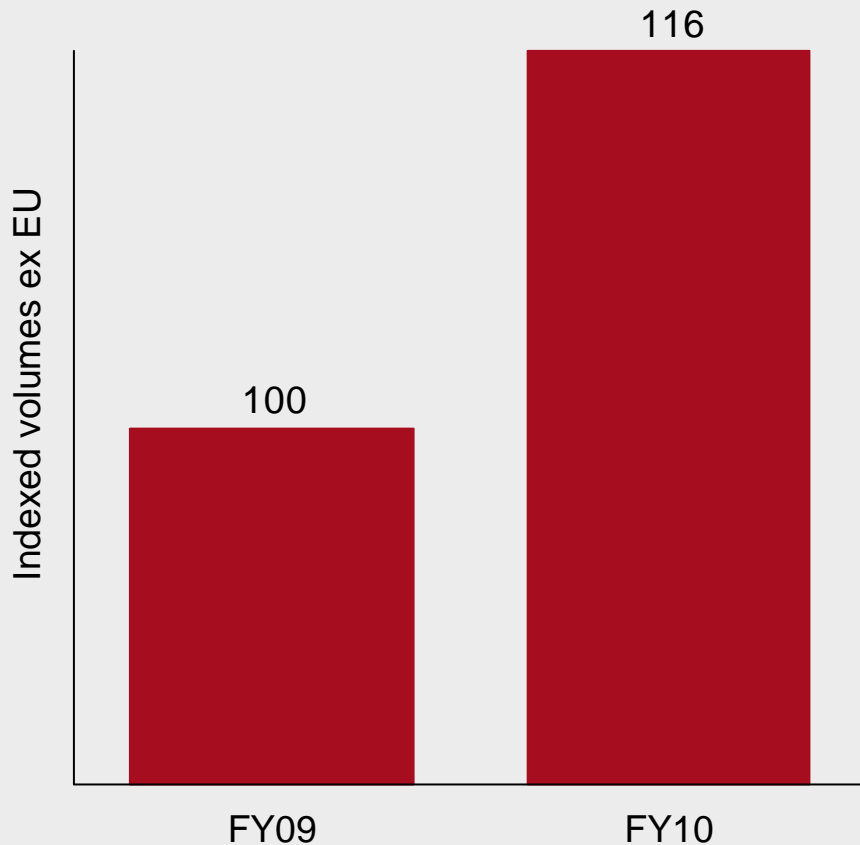
6% CAGR\* volumes FY06 – FY10



\* Compound annual growth rate

# Habanos Growth

exclusive editions driving sales



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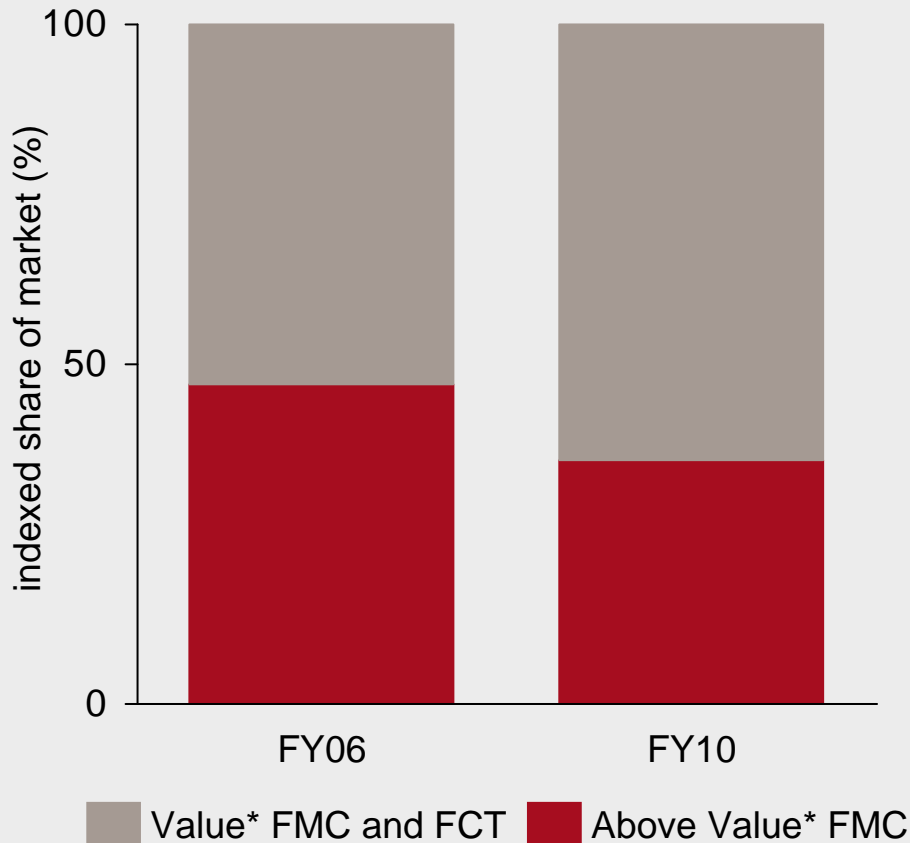


# Dynamic German Portfolio

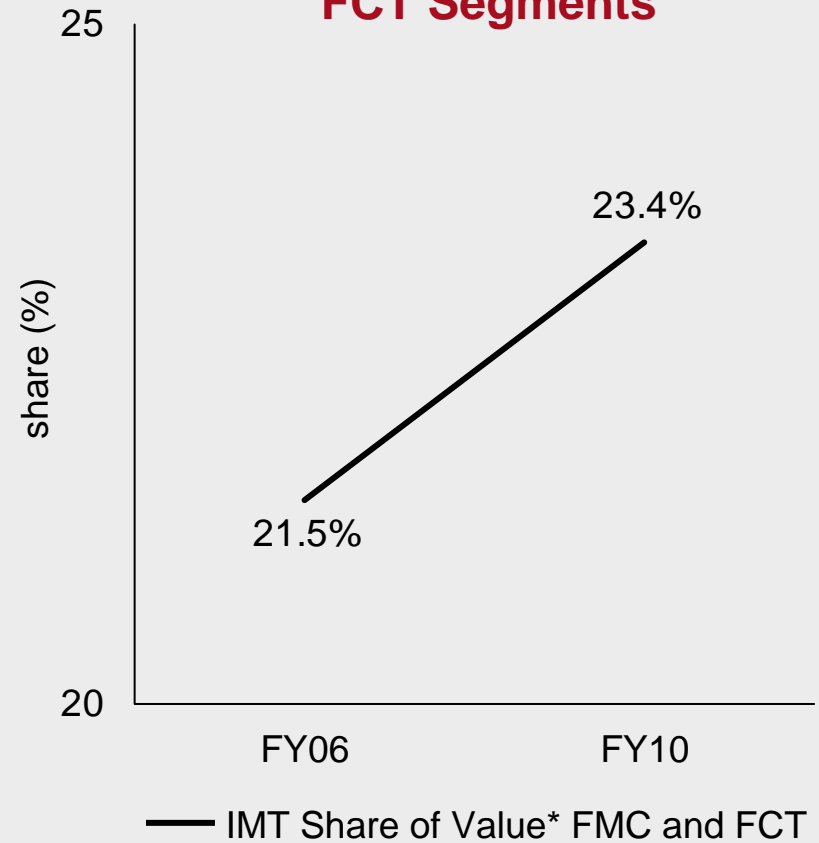
growing in growing segments



### Market Volumes



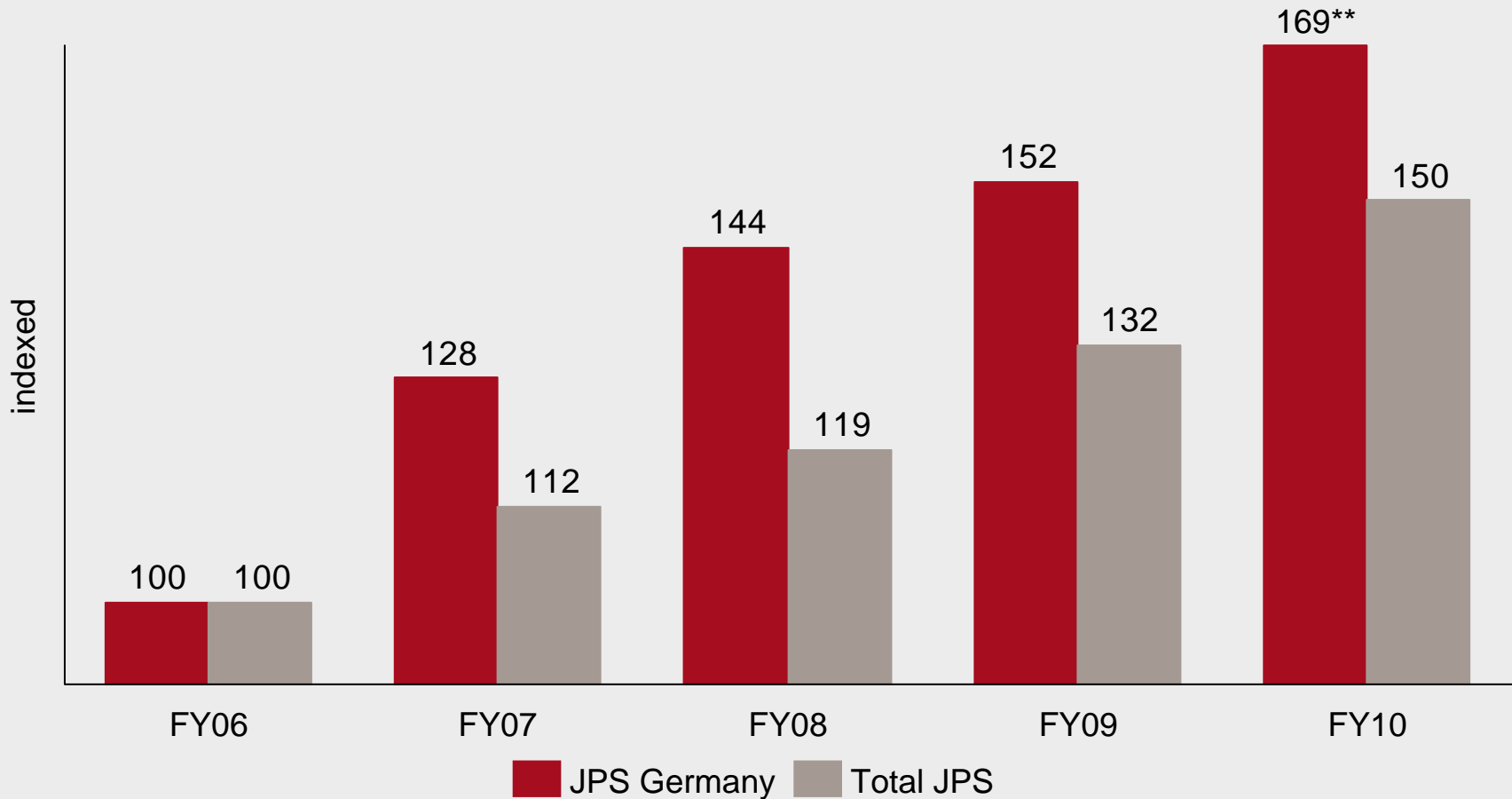
### IMT Share of Value\* FMC and FCT Segments



\* Value defined as sub-mid price FMC segments

# JPS Stick Equivalent Volumes

11% CAGR\*



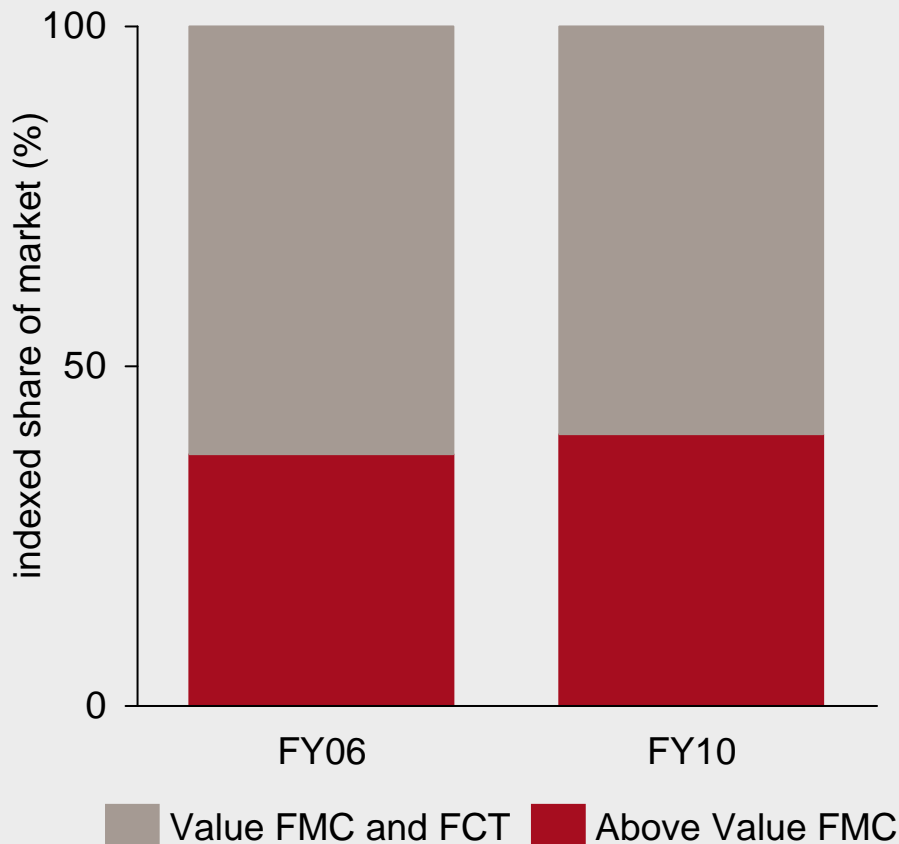
\*Compound annual growth rate; \*\*JPS Germany stick equivalent volumes CAGR of 14% FY06 – FY10

# Poland Portfolio Success

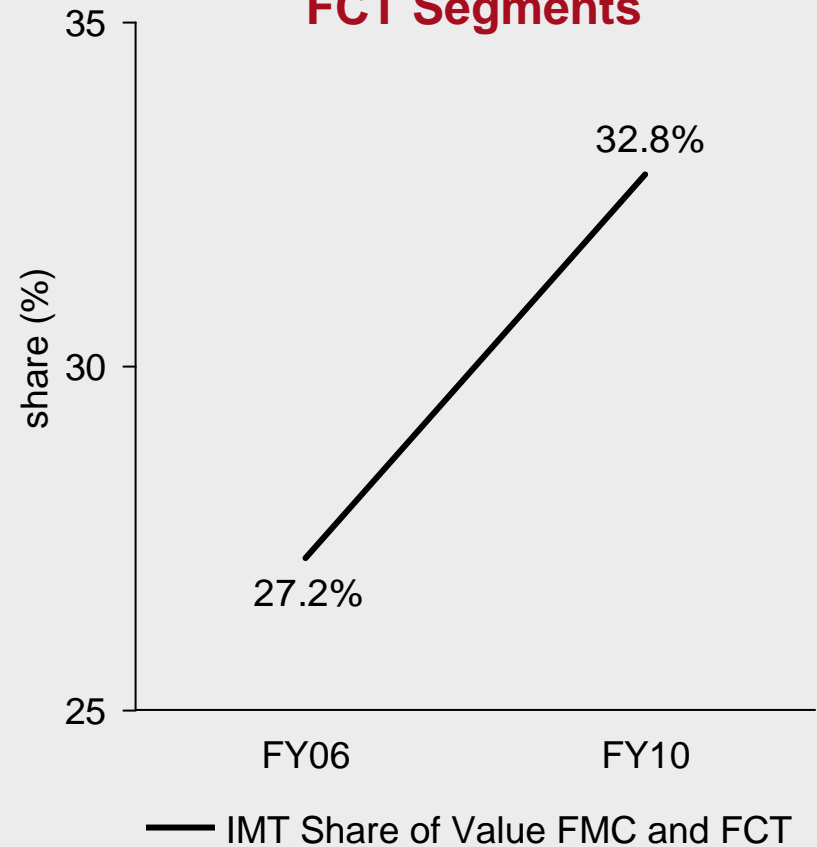
responding to consumer demands



### Market Volumes

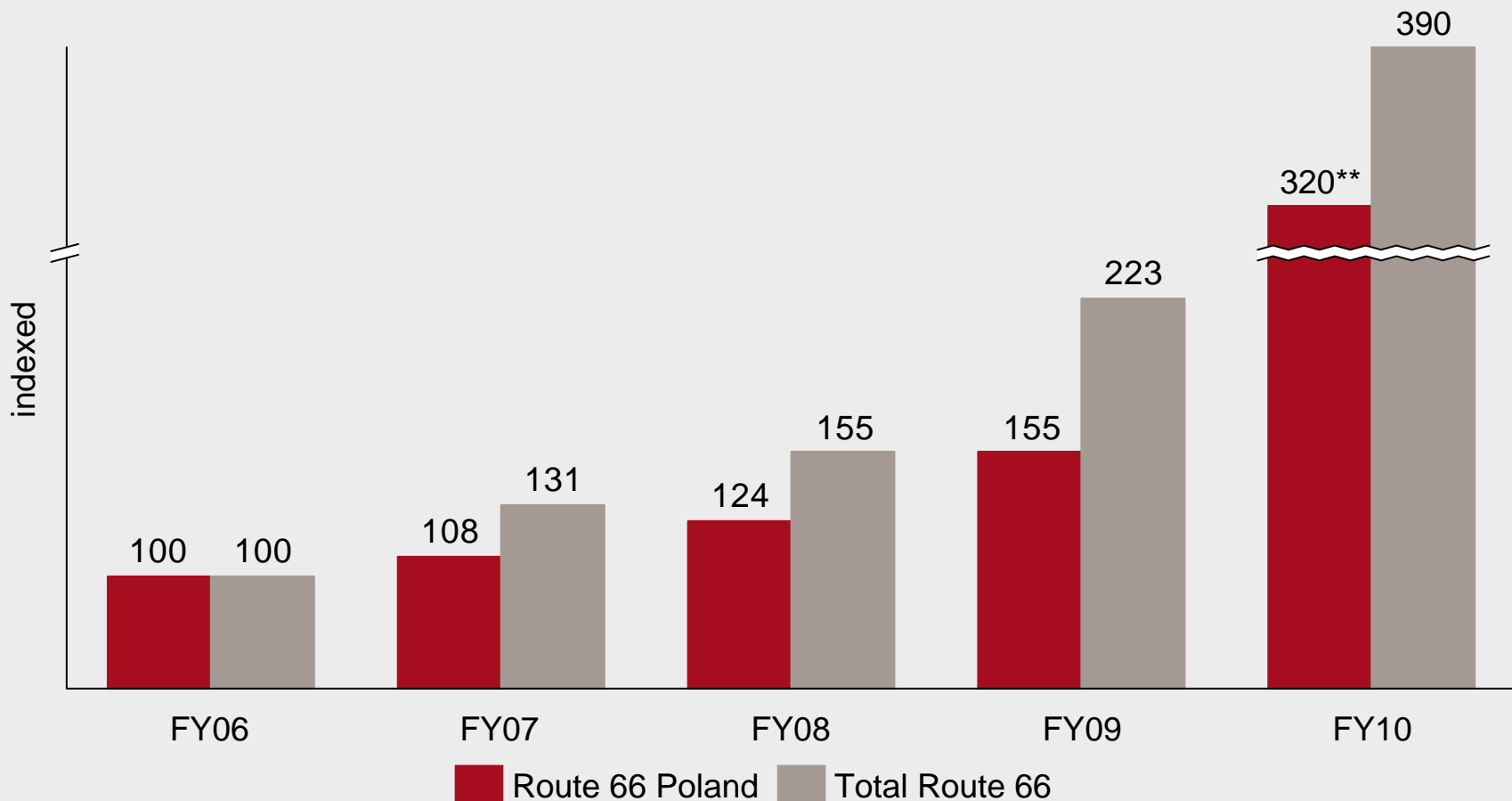


### IMT Share of Value FMC and FCT Segments



# Route 66 Stick Equivalent Volumes

41% CAGR\*



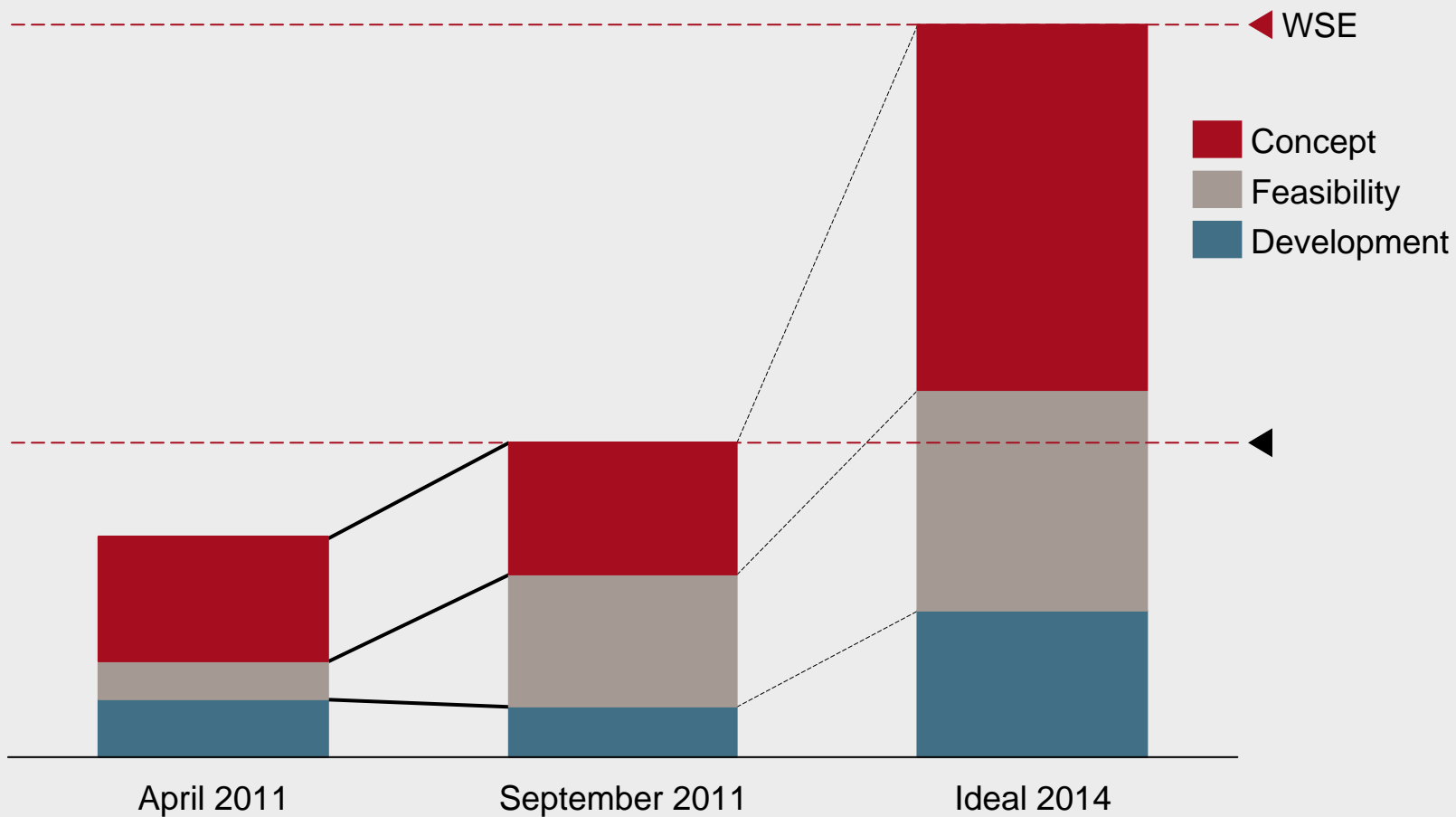
\*Compound annual growth rate; \*\*Route 66 Poland stick equivalent volumes CAGR of 34% FY06 – FY10;

# 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



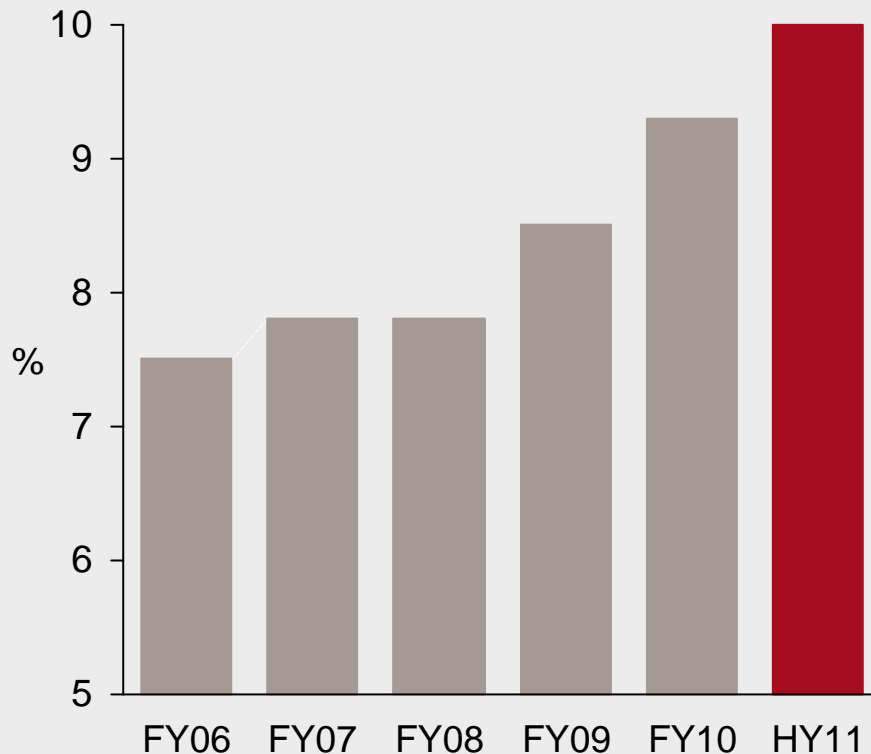
- Patented GlideTec innovation
- Consumer “wow” effect
- Initial launch in UK – Asda, BP, Shell & Esso
- Significant capacity investment
- Multi market roll-out planned



# Innovation Within Value Segment



## JPS German Cigarette Market Share

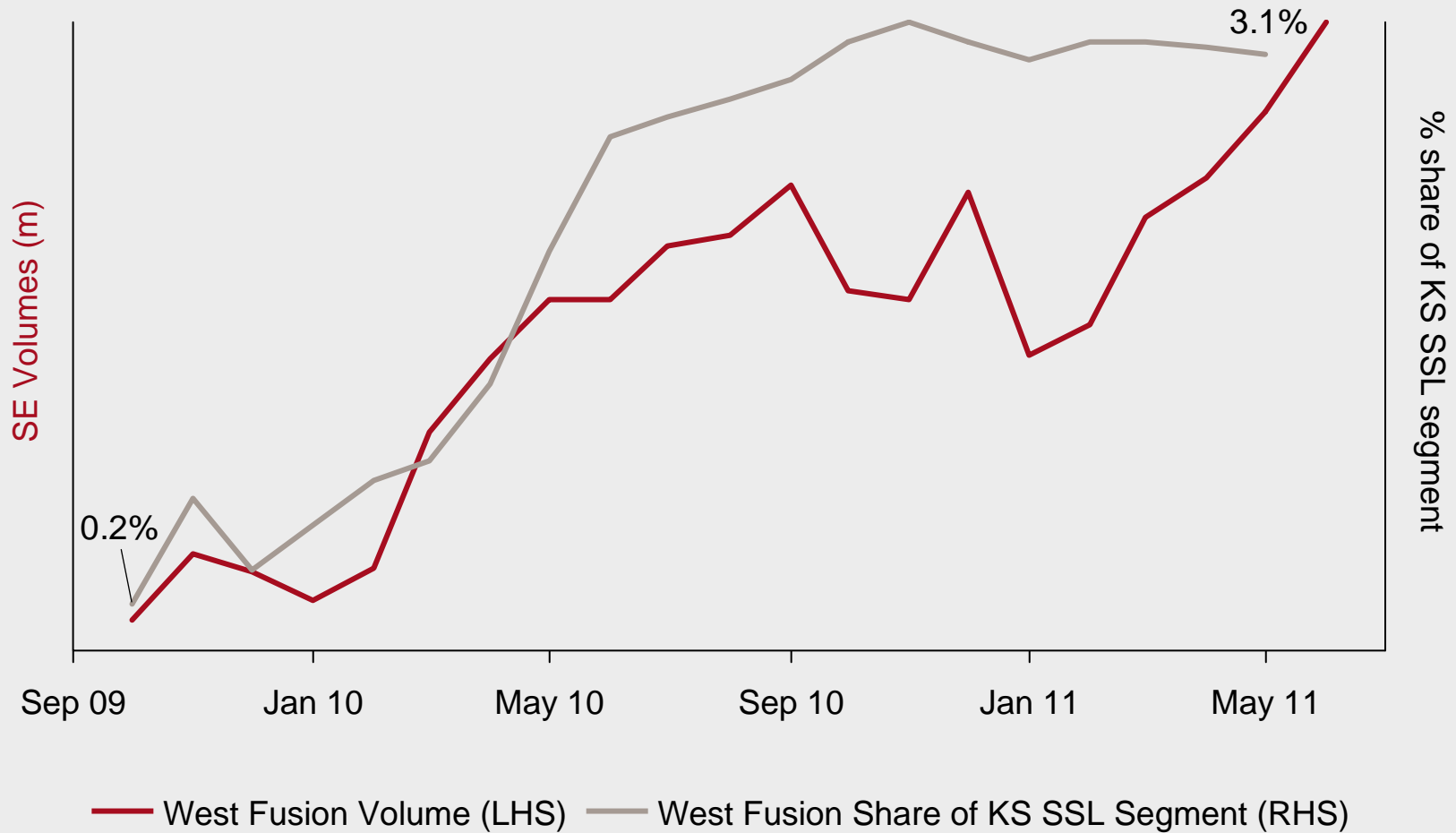


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# West Fusion in Russia

growth within growth segment



# Sales Growth Drivers



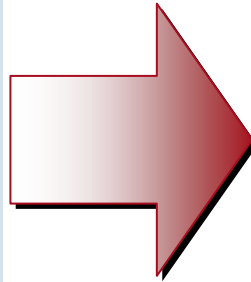
**Availability and Advocacy**

# 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 1.8% to 18.8% in HY11
- Norway market share of snus up 1.1% and cigarettes up 0.3% in HY11



# Sales Growth Drivers



**Maximising Revenue Growth**

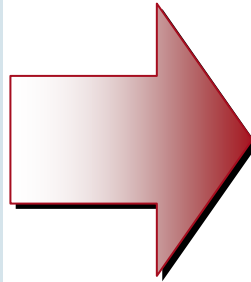
# Enhancing Our Capabilities

proactively managing pricing and excise



## Think Ahead

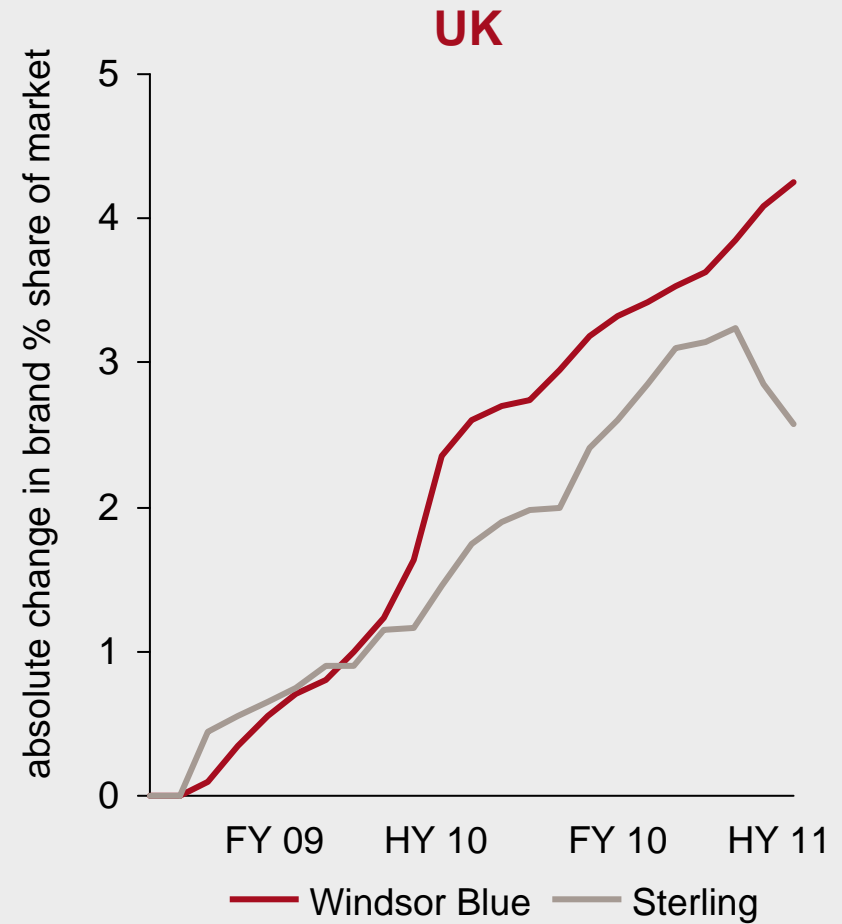
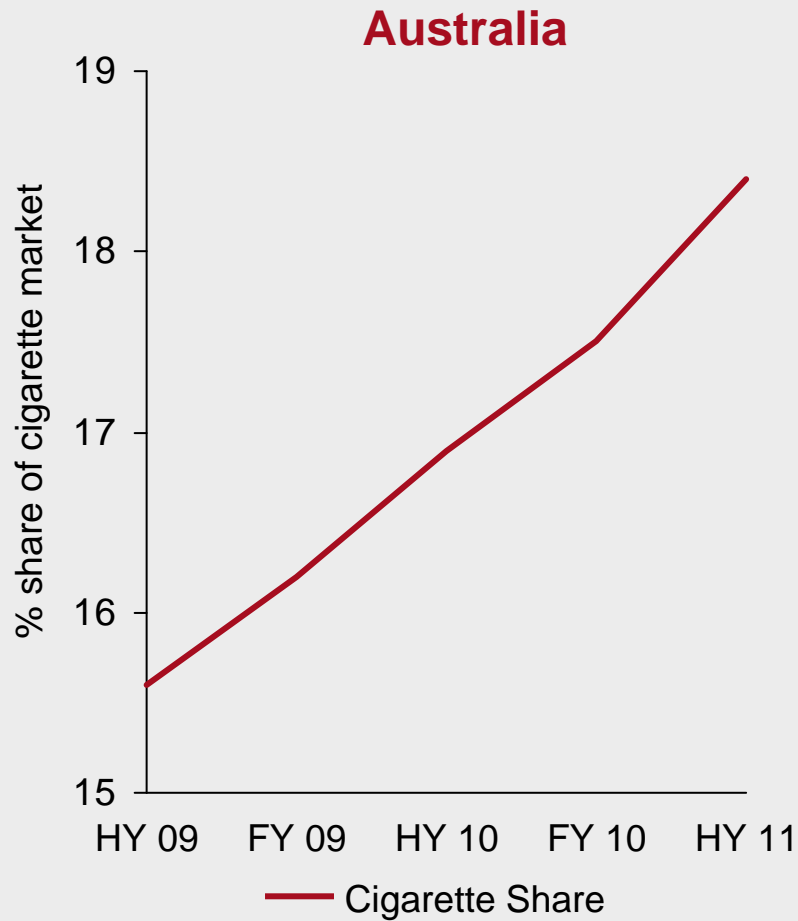
- Multivariable scenario modelling
- Proactive excise management



## Innovate & Lead

- Occasion based pricing approach
- Brand Pack Price per Channel strategies

# Pricing Strategy Drives Growth



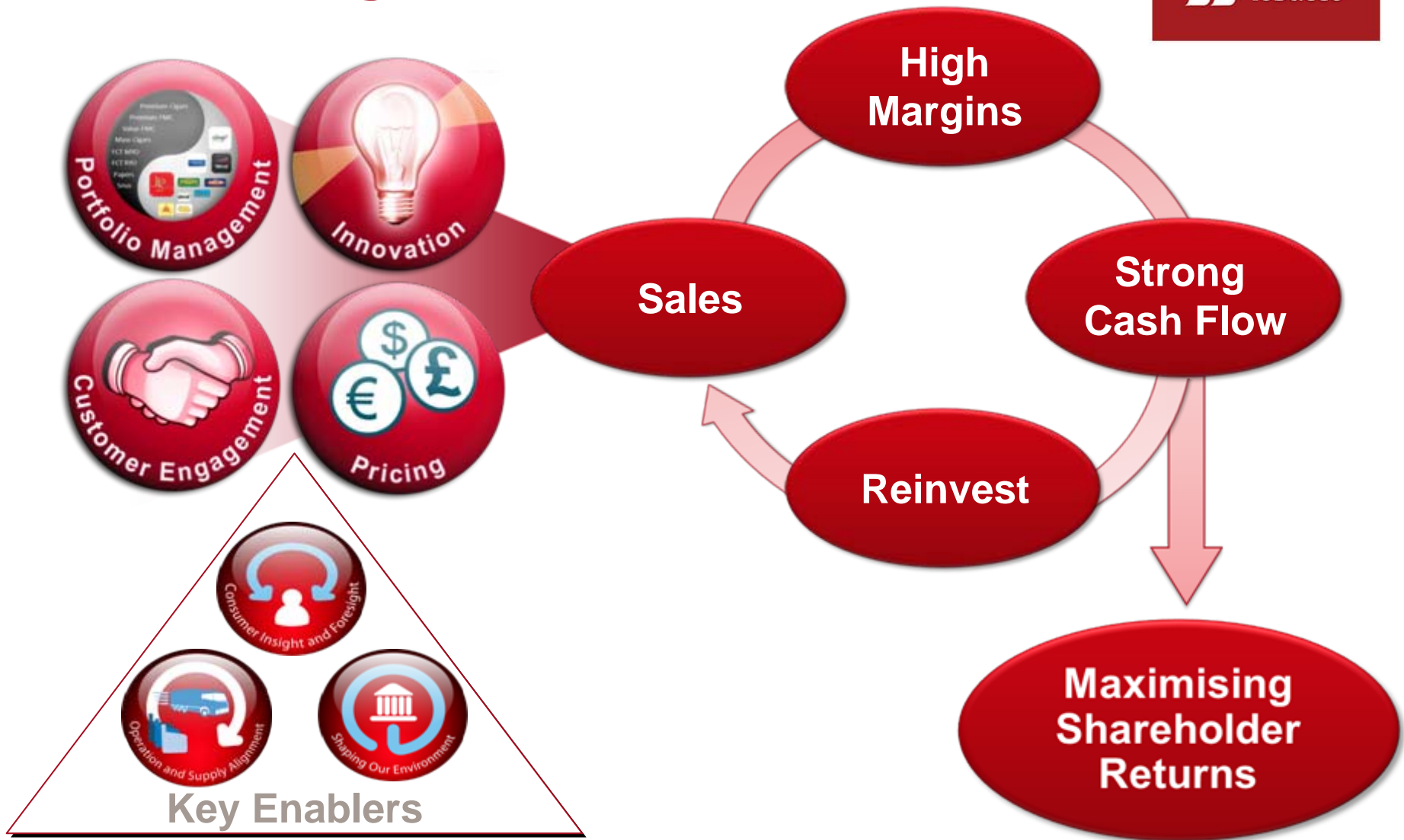
Source: Imperial estimates



# Sales Growth Drivers



# Maximising Shareholder Returns



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