

Investor Day Presentation

12 July 2011

Alison Cooper – Chief Executive

Unlocking our Potential

Good morning and welcome to our 2011 investor day.

The theme of today is “Unlocking our Potential”

Over the past two years we have enhanced our focus on sales growth and are building momentum behind the top line; today we will be looking at how we see opportunities to further unlock our potential and deliver high quality sustainable earnings growth.

Strategic Focus

This is a reminder of our strategy – our focus on sales growth, cost optimisation and cash utilisation is delivering sustainable shareholder returns.

Sales growth is at the heart of the strategy and our total tobacco portfolio is a key asset, unique to the industry.

This slide encapsulates what Imperial is about and is a focal point for driving change within the business and getting strong alignment behind the sales agenda.

More Consumers, More Occasions

I said that our total tobacco portfolio is a unique asset, one that gives us competitive advantage in driving sales growth.

We have strong representation across all tobacco products and at all price points. This means we have more consumers in more markets, with more consumption occasions.

There is growth in every market and our total tobacco approach provides considerable opportunities to capitalise on this.

It's also key to risk mitigation – we have a broader portfolio to work and innovate with as consumers are impacted by the regulatory and economic environment.

Total tobacco is also great for the trade and our strong customer relationships mean we are very well placed in highly regulated environments.

Our total tobacco focus is delivering results – key consumer trends are driving opportunities in premium and value brands and products and we are capitalising on growth in these areas.

Let me just remind you of some of our key portfolio results in recent years.

Premium Momentum – strong Davidoff and Habanos growth

In premium there is clear momentum in our business.

Davidoff volumes have grown 6 per cent CAGR since 2005 with a strong performance in our first half of this year, up 9 per cent.

Habanos cigars had a great performance in 2010 with 2 per cent growth despite the difficult economic climate and we've made a good start to 2011 with sales up 2 per cent - and volume growth in non-EU of 16 per cent.

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Value Momentum: West – 6% CAGR stick equivalent volumes

In our value portfolio, West has grown rapidly outside of its home German market. Since 2005 we have grown stick equivalent volumes 6 per cent compound with strong growth in Central & Eastern Europe. It's a high quality and innovative product at an attractive price – often used for fast follower initiatives.

Value Momentum: JPS – 21% CAGR stick equivalent volumes

JPS has been a tremendous success for us. We have grown volumes 21 per cent compound since 2005 on a stick equivalent basis leveraging new formats, packaging and geographies. And in the first half of FY11 we grew by 16% with further strong performances in Australia, Germany and the UK.

Fine Cut Tobacco Momentum – 5% CAGR since FY07

We have been highly innovative in fine cut tobacco driving growth through new packaging, products and driving MYO with our FMC brands such as Route 66 and JPS. This development has been aided by our leading expansion process advantage as duty rates on fine cut tobacco are generally weight based. Post the loss of singles in Germany we have grown our fine cut tobacco volumes 5 per cent CAGR, and of course our papers and tubes businesses have benefited as a result.

Snus Momentum – volumes +24% in 2010

Our snus business is another great success. There are restrictions in the EU but our sales in Norway and Sweden have grown 57 per cent compound over the last five years. And with the completion of our new factory, we have sufficient headroom for increased capacity. Smokeless products may have an increasing role to play in environments where smoking in public places is banned or restricted, and we will continue to actively listen to consumers and experiment in this area.

Delivering our Strategy

We are driving growth through total tobacco and as we saw at the half year we're making gains across our market footprint. We made gains in EU and non-EU markets with volumes of our global strategic cigarette brands and fine cut tobacco both up five per cent. Our disciplined cost management resulted in margins increasing despite investing for growth and our focus on effectively managing the cash we generate has created further value for shareholders. Let me very briefly mention Spain at this point, where our focus is on protecting our market position and long-term sustainability. We have taken the lead in improving

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the market profitability but the situation is still very fluid. We will update you as and when prices have stabilised.

Unlocking our Potential

So, our strategy is delivering but we are looking at further ways to unlock our potential.

Key to this is our approach; we are changing our mindset – seeing things differently and doing things differently, different to the industry and different to how Imperial has approached things in the past.

Seeing things differently includes developing a deep understanding of what drives consumers – and how we can translate these consumer insights into opportunities for our total tobacco portfolio.

Doing things differently is about delivering execution excellence through fewer, bigger and better initiatives that will accelerate sales growth.

Unlocking our Potential – portfolio management

To do this we have identified the four sales growth drivers that we want to excel at:

Firstly portfolio management – this is all about our total tobacco focus; leveraging this unique asset to maximise our share of consumers and consumption – more consumers, more occasions.

Unlocking our Potential - pricing

The second growth driver is about pricing and includes our excise strategies in market.

This is not just about price increases, it's about developing a better approach to pricing by brand, by pack and by channel to maximise revenue growth.

Unlocking our Potential - innovation

The third growth driver is innovation. We are building on our existing innovation pipeline to create a bigger pipeline of scalable consumer-need based innovations to expand our portfolio and accelerate incremental growth.

Unlocking our Potential – customer engagement

And the fourth growth driver is customer engagement.

This is about developing a deep understanding of customer and shopper needs as a basis for customer management.

It's about optimising the availability and advocacy of our brands and products.

Unlocking our Potential

By striving to excel at these four growth drivers we will drive sales growth and gain competitive advantage. Roberto and Arthur will give more detail on how we are approaching each of the growth drivers later.

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Unlocking our Potential – understanding consumers, supply excellence and shaping our environment

These four growth drivers are supported by three other focus areas, which are essential to our success.

Consumer understanding is an essential pre-requisite for growth. We've been undertaking extensive work in this area which Roberto will expand on later.

Supply excellence is a core part of our focus on execution –being agile and quick to respond to changing consumer and market dynamics.

And shaping our environment, which Matthew Phillips our Corporate & Legal Affairs Director will be covering shortly. We've always been active defenders of the industry and increasingly, we've been active defenders of our consumers.

Excelling in these three areas is essential to support our sustainable sales agenda.

Unlocking our Potential - people

I also just want to touch on the people aspect of growth strategy. At the end of the day it's the people in Imperial who deliver and their response and attitude to the direction we are taking gives me great confidence in our growth potential.

Our culture, values and behaviours are conducive to driving change and delivering success.

This is not "soft stuff"; it's integral to our long-term sustainability. We have 38,000 employees across the world; motivating them and harnessing their capabilities is critical to unlocking our potential.

Maximising Shareholder Returns

This final slide highlights how these elements come together to maximise shareholder value.

The four growth drivers deliver sustainable sales growth – and that sales growth drives high margins which in turn generates strong cash flows, which we use to maximise returns and reward our shareholders, whilst also reinvesting in the business.

I'll now hand over to Bob who will look at how we generate sustainable high cash returns.

Thank you.