

building

bluTM



DISCLAIMER



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AN EXCITING FUTURE... A CLEAR PURPOSE

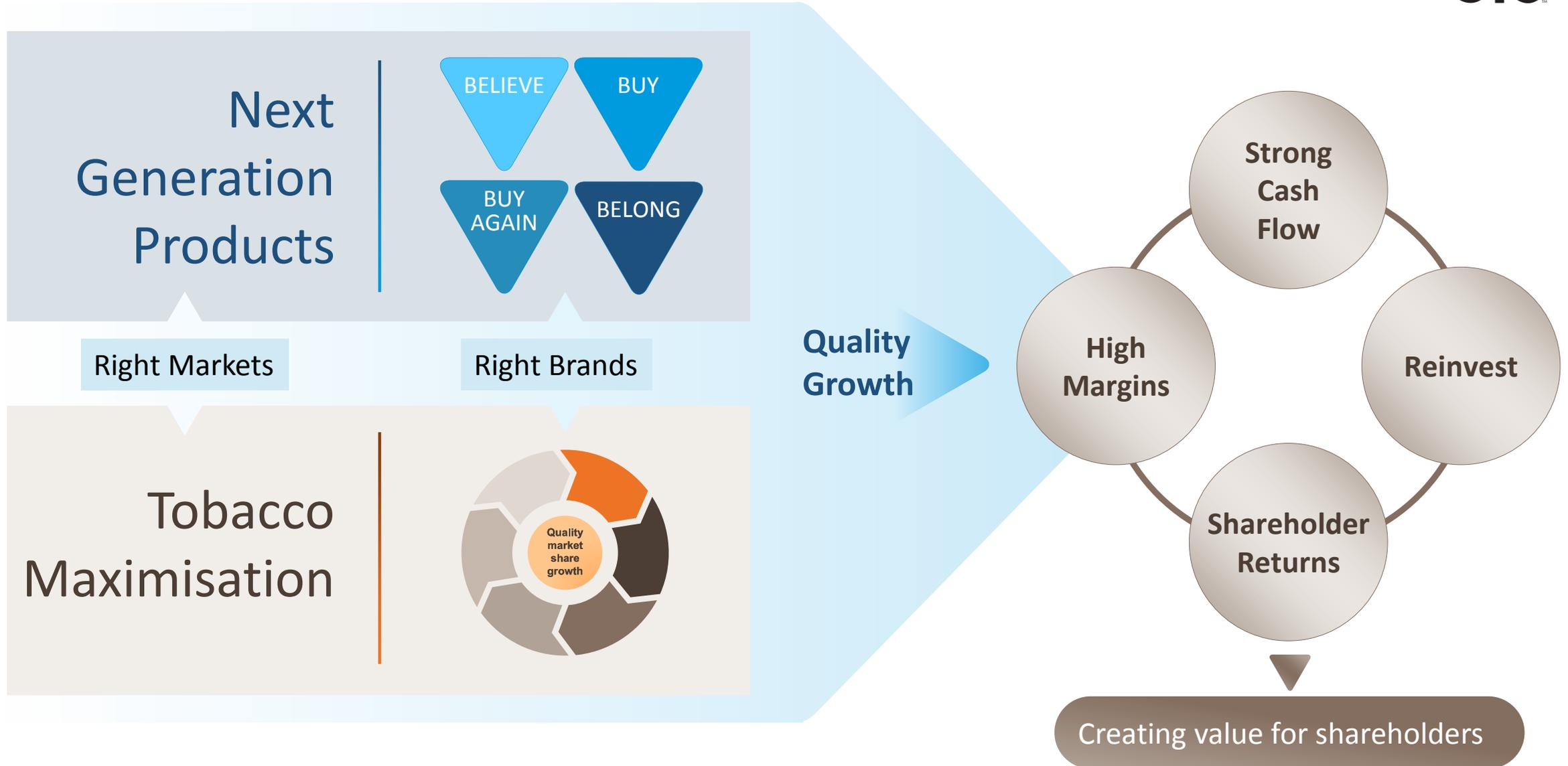
Creating

SOMETHING BETTER

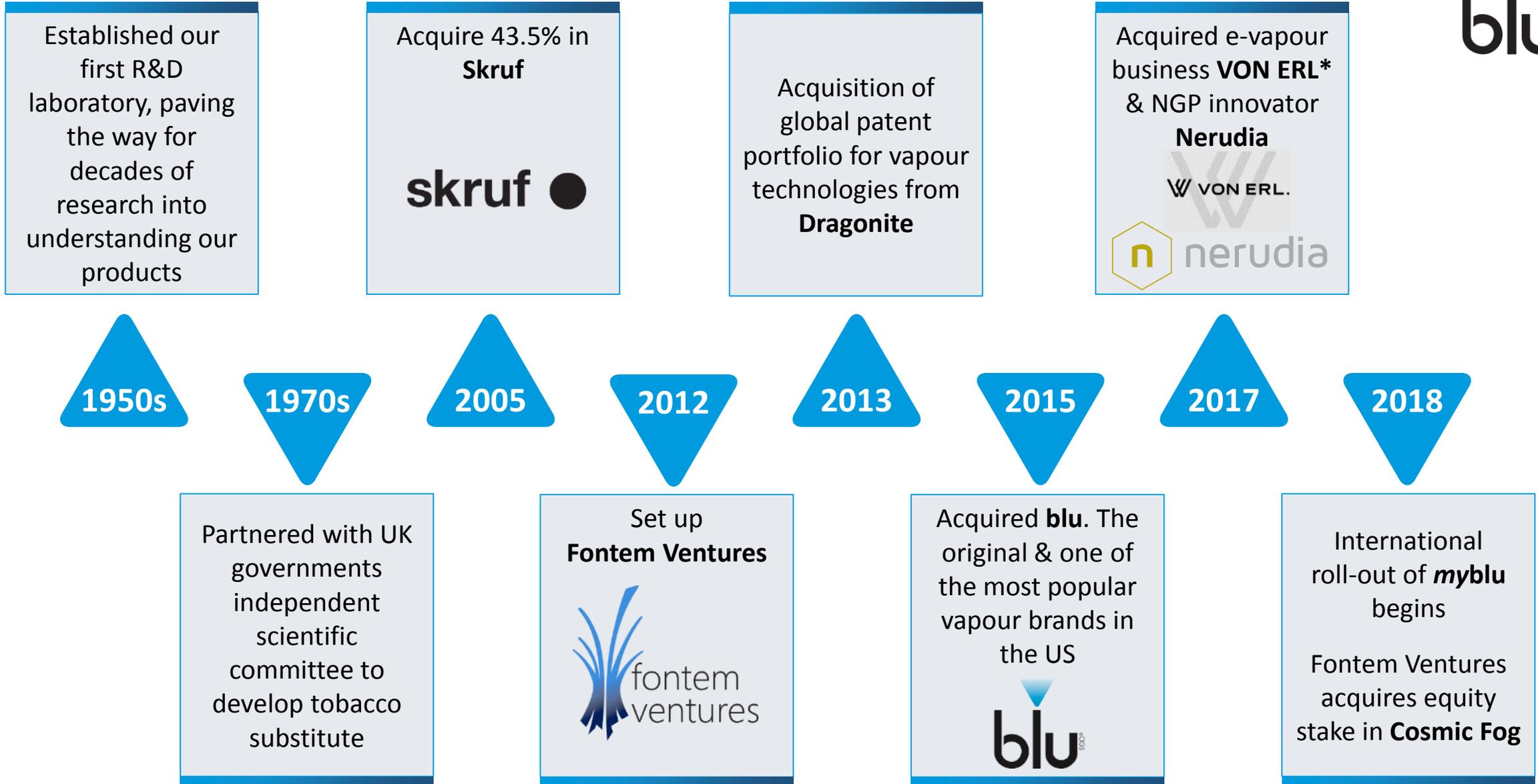
for the world's smokers



DELIVERING OUR STRATEGY

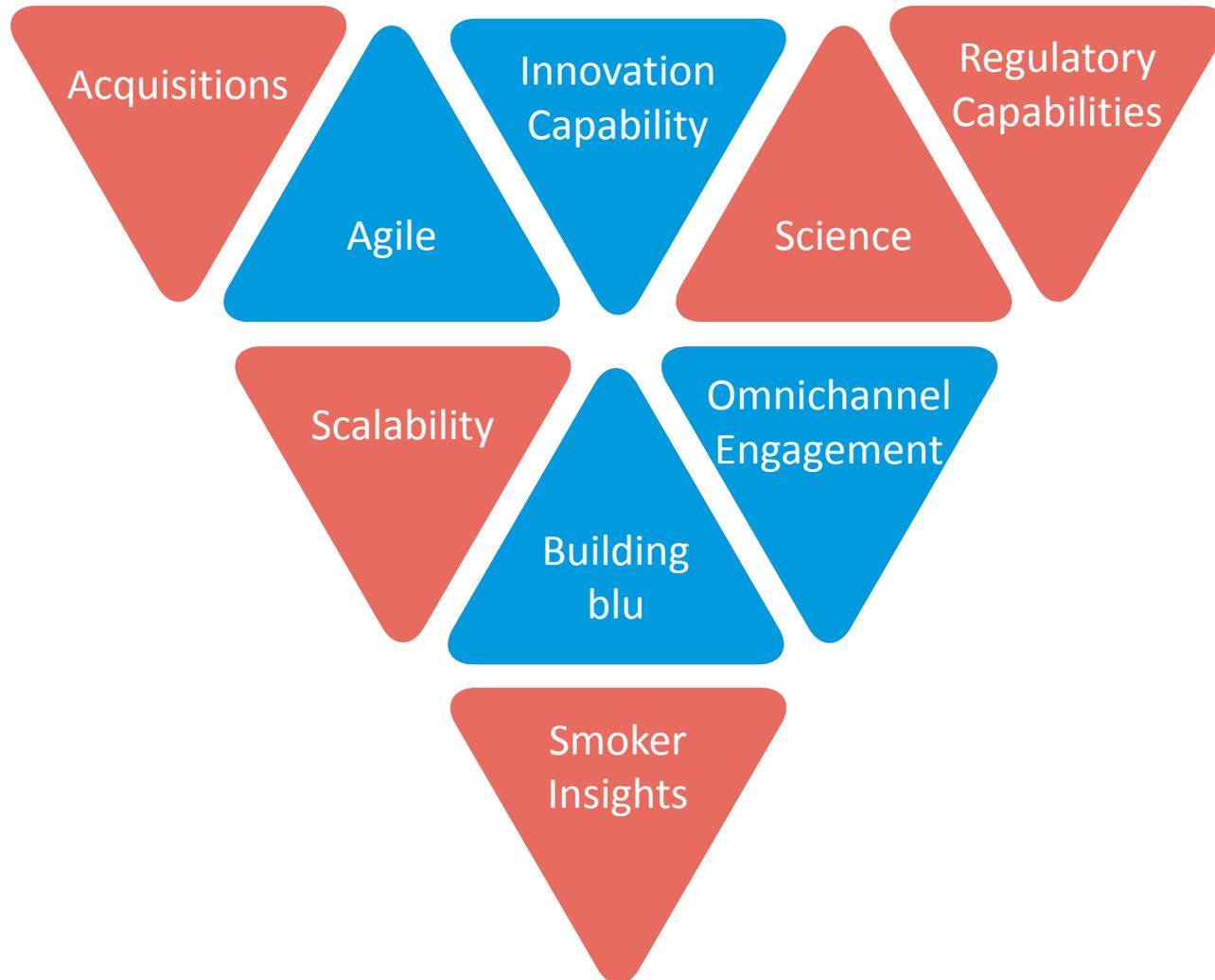


OUR NGP JOURNEY - AN EXCEPTIONAL ASSET PORTFOLIO



*VON ERL vaping device 'my Von Erl' has been available in the US market since May 2016

DELIVERING A COMPELLING PROPOSITION LEVERAGING OUR COMPETENCIES



Delivering to smokers:

- / a satisfying, safer experience...
- / supported by innovation...
- / endorsed by a trusted brand...
- / underpinned by leading edge science...
- / and available wherever smokers go...

Delivering to shareholders:

- / additive revenues...
- / from a lean and scalable business...
- / light on assets...
- / high on returns...

DELIVERED STEP-UP IN FY18; ACCELERATING IN FY19



Product Portfolio

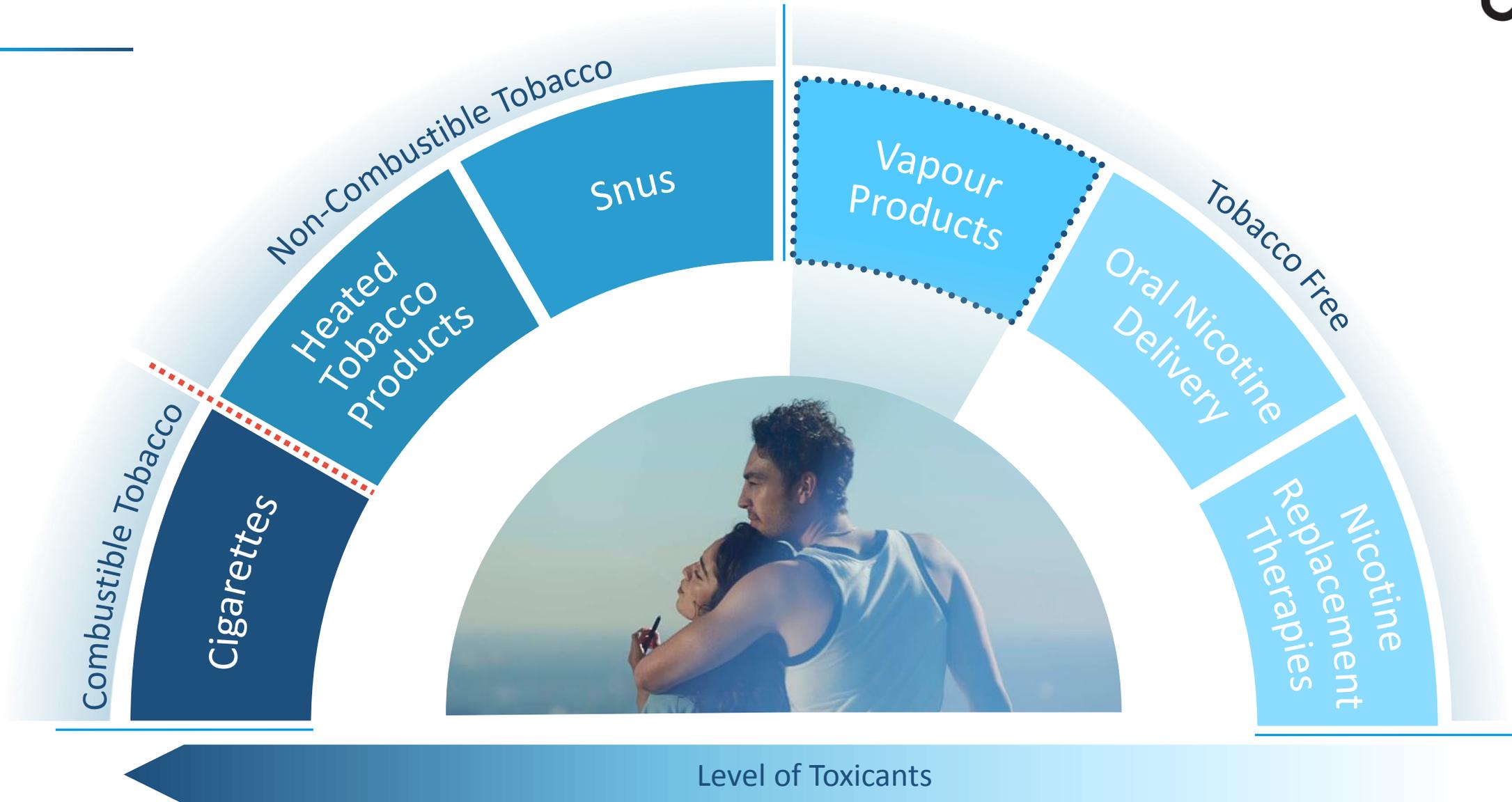


New Markets



- / Built scalable execution model
- / 100k points of sale for *myblu*
- / Growing rate of pods to devices
- / Expected annualised FY18 exit rate £0.3bn revenue

FOCUSING ON HARM REDUCTION THROUGH VAPOUR





Significant
Additive
Opportunity

Delivering
Returns

Compelling
Proposition

Winning
Execution

building 
blu™



Significant
Additive
Opportunity

Compelling
Proposition

Delivering
Returns

Winning
Execution

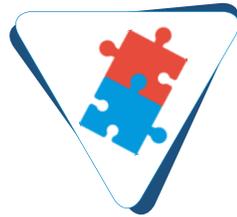
building 
blu™



Significant
Additive
Opportunity



Attractive Growth Category



Additive for Imperial

building 
blu™



Attractive Growth Category





SIGNIFICANT GLOBAL MARKET



36
million
vapers



940
million
smokers



CLEAR DRIVERS FOR VAPING GROWTH...



Drivers of vaping for UK & US smokers

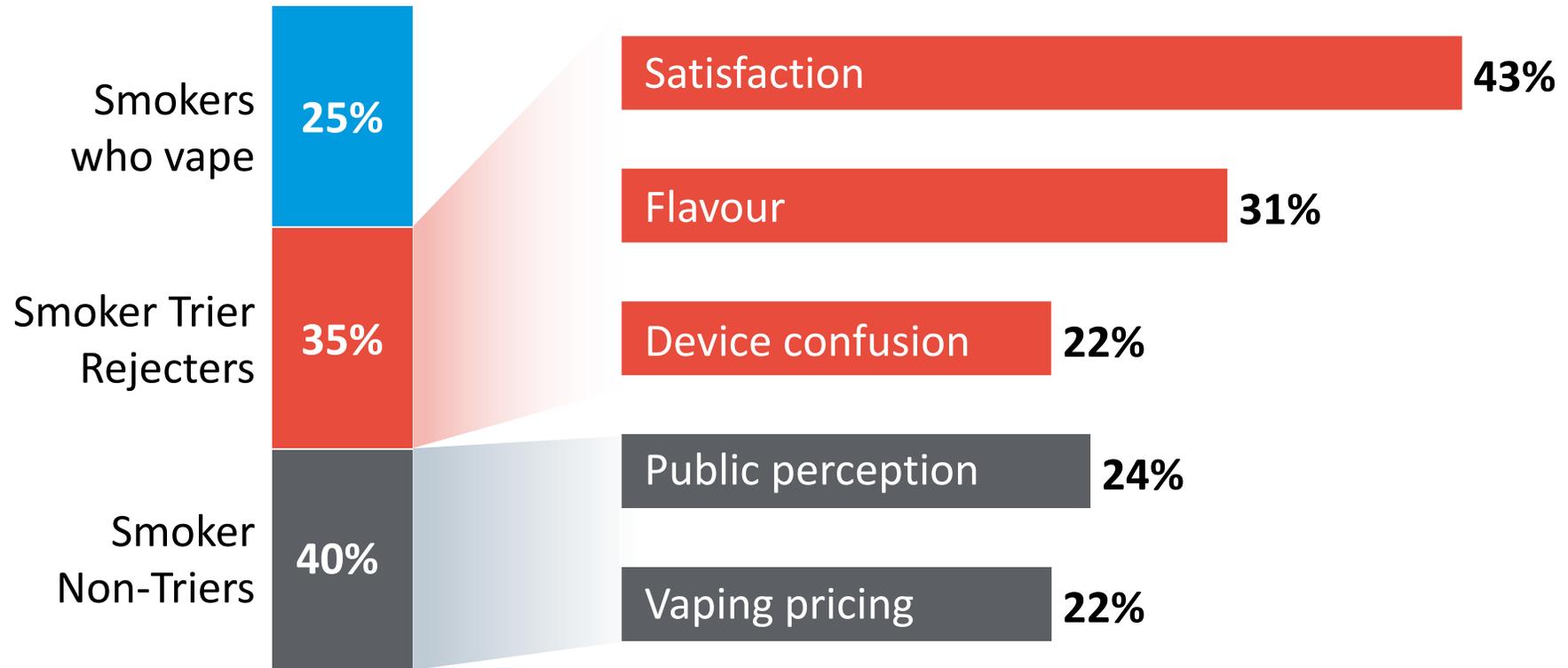




...ALTHOUGH BARRIERS REMAIN



Main barriers for US & UK vape rejecters





ADOPTION DRIVERS VARY BY MARKET



Drivers of vaping adoption

Global Drivers

Shaped by category dynamics, smoker proposition and innovation

Harm reduction

Tobacco pricing

Social acceptance

Enjoyment

Satisfaction

Flavour

Device confusion

Public perception

Vaping pricing

Market specific

Driven by affordability, Smoking acceptance, and regulatory openness



MARKETS SEGMENT INTO FOUR ARCHETYPES



Vaping Market Archetypes

Mainstream

Vaping mainstream
and growing

9 markets
91m smokers
21m vapers

Nascent

Emerging category
with right conditions

22 markets
45m smokers
4m vapers

Less Developed

Unfavourable conditions
(pricing, social pressure)

54 markets
642m smokers
10m vapers

Not Permitted

Legal impediments
or banned

22 markets
118m smokers
1m vapers



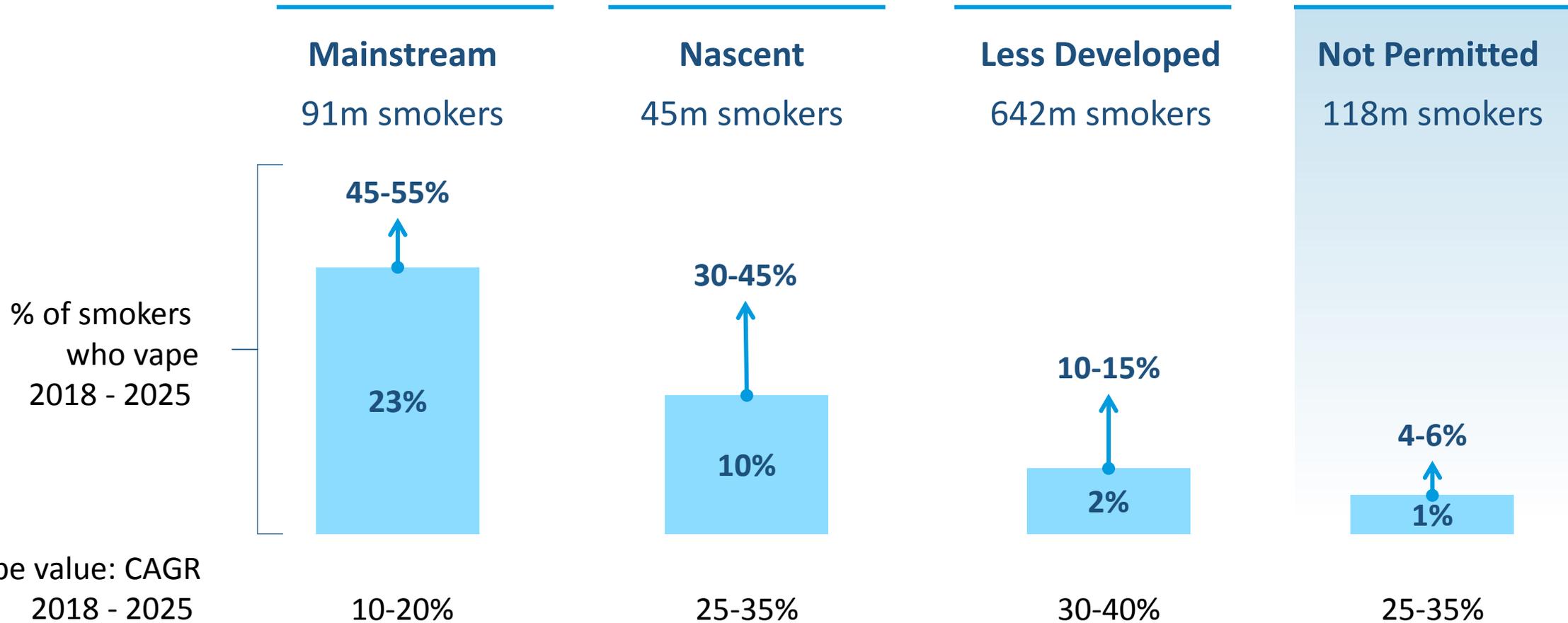
Example markets



GROWTH RATES VARY PER ARCHETYPE



Vaping Incidence Growth 2018 - 2025



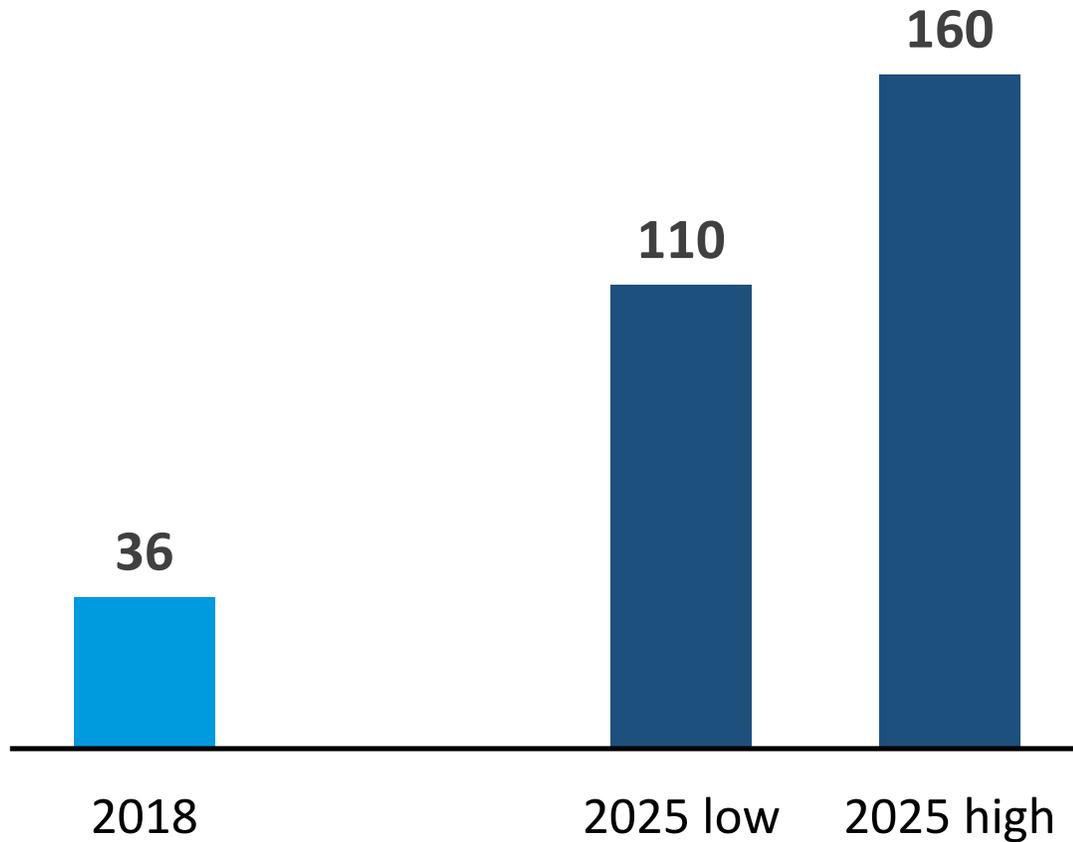
Vape value: CAGR
2018 - 2025



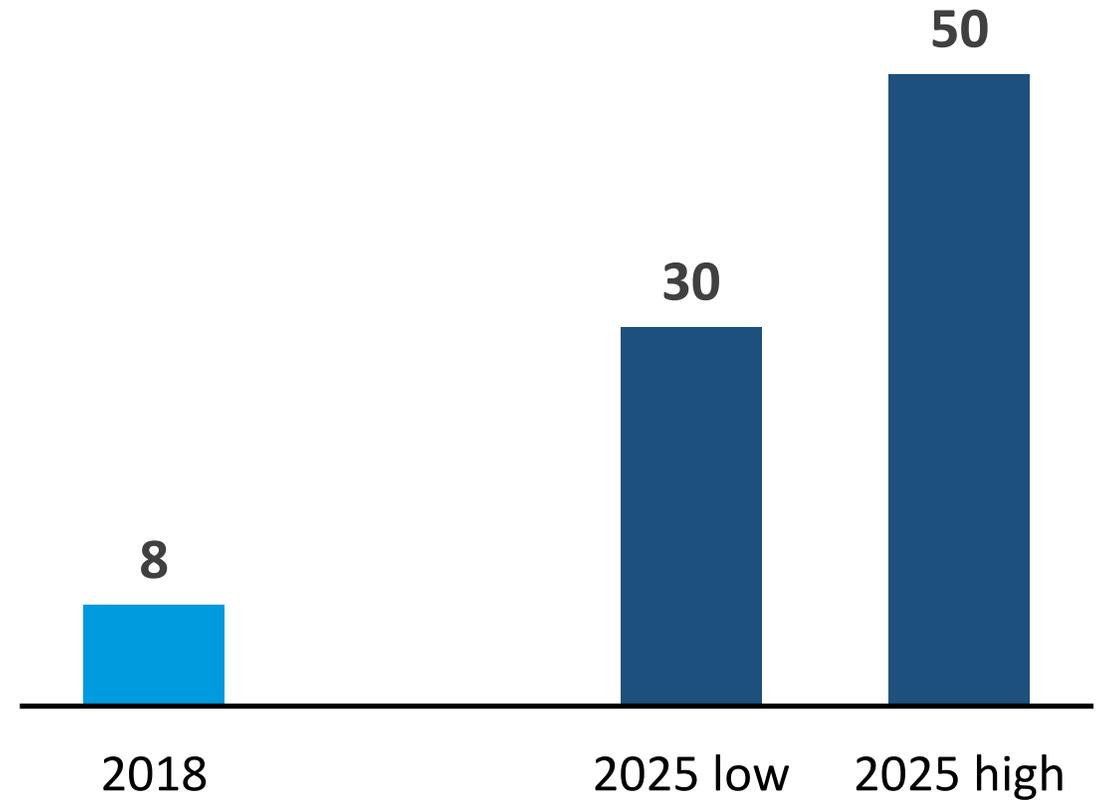
VAPING COULD REACH £50 BILLION BY 2025...

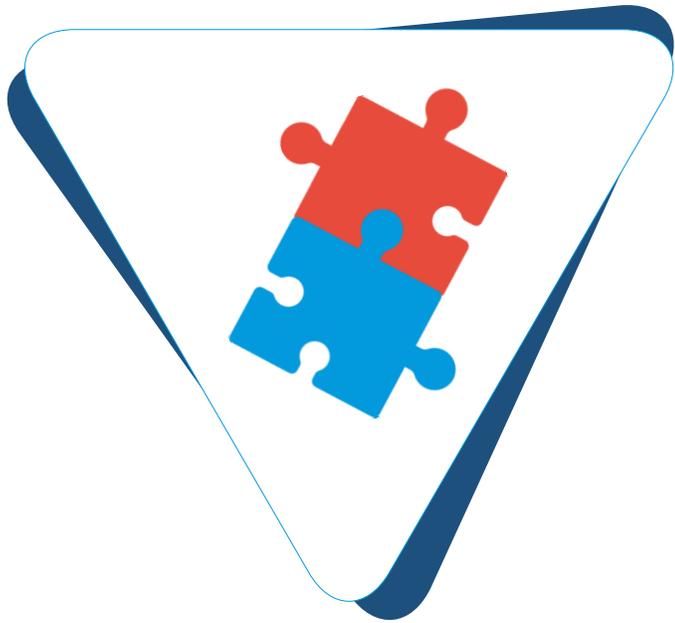


Number of Vapers (m)



Retail Sales Value (£bn)





Additive for Imperial





ADDITIVE OPPORTUNITY IN A GROWING CATEGORY



USA

Europe

Number of smokers

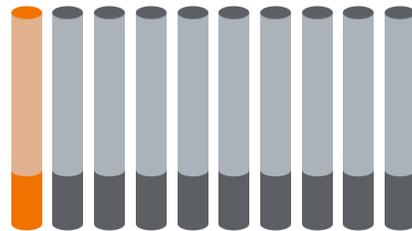


36m

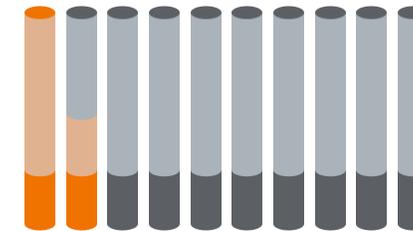


145m

IMB tobacco share

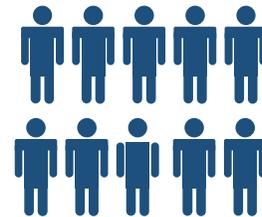


9%

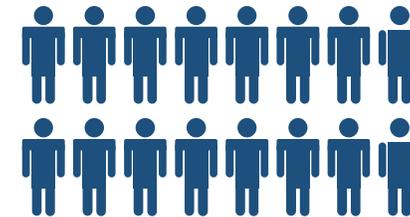


16%

Number of vapers



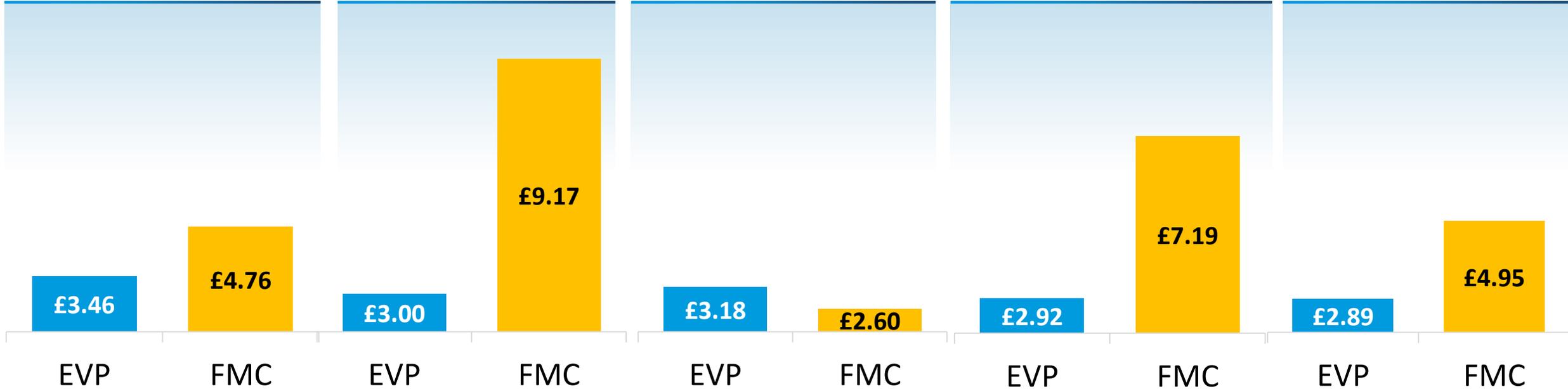
10m



16m



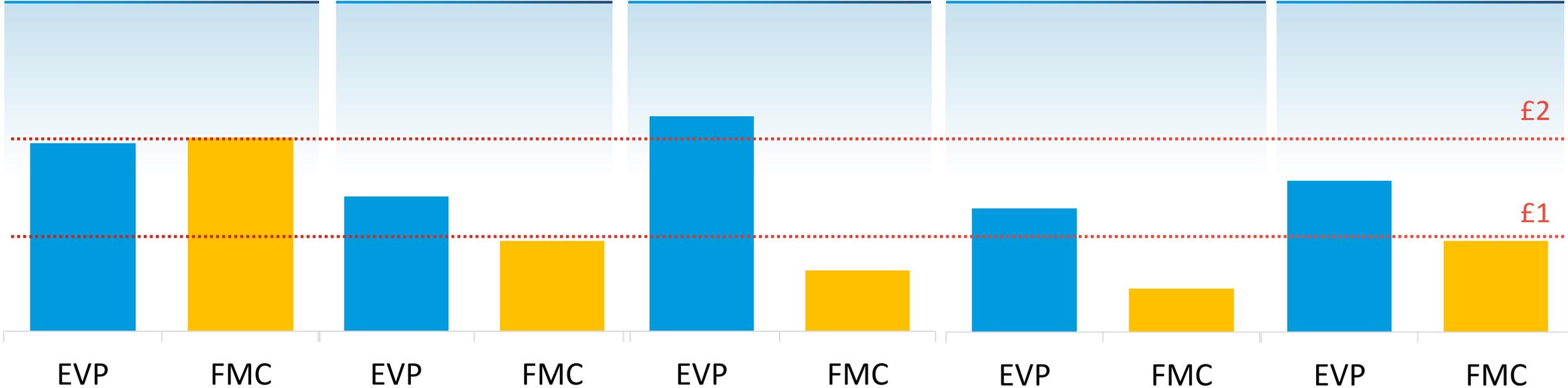
POSITIVE ECONOMICS – RETAIL SELLING PRICE BETTER VALUE FOR SMOKERS



Significant economic incentive for smokers



POSITIVE ECONOMICS – NET REVENUE REVENUE PER POD GREATER THAN CIGARETTES



Significant additive net revenue for Imperial

23 Based on net revenue per pod (1.5ml) versus pack of 20 FMC



Significant
Additive
Opportunity

Delivering
Returns

Compelling
Proposition

Winning
Execution

building 
blu™



Compelling
Proposition



blu Brand



Portfolio



Innovation & Science



The Environment





blu – Creating a
Unique Brand





blu – Creating a
Unique Brand

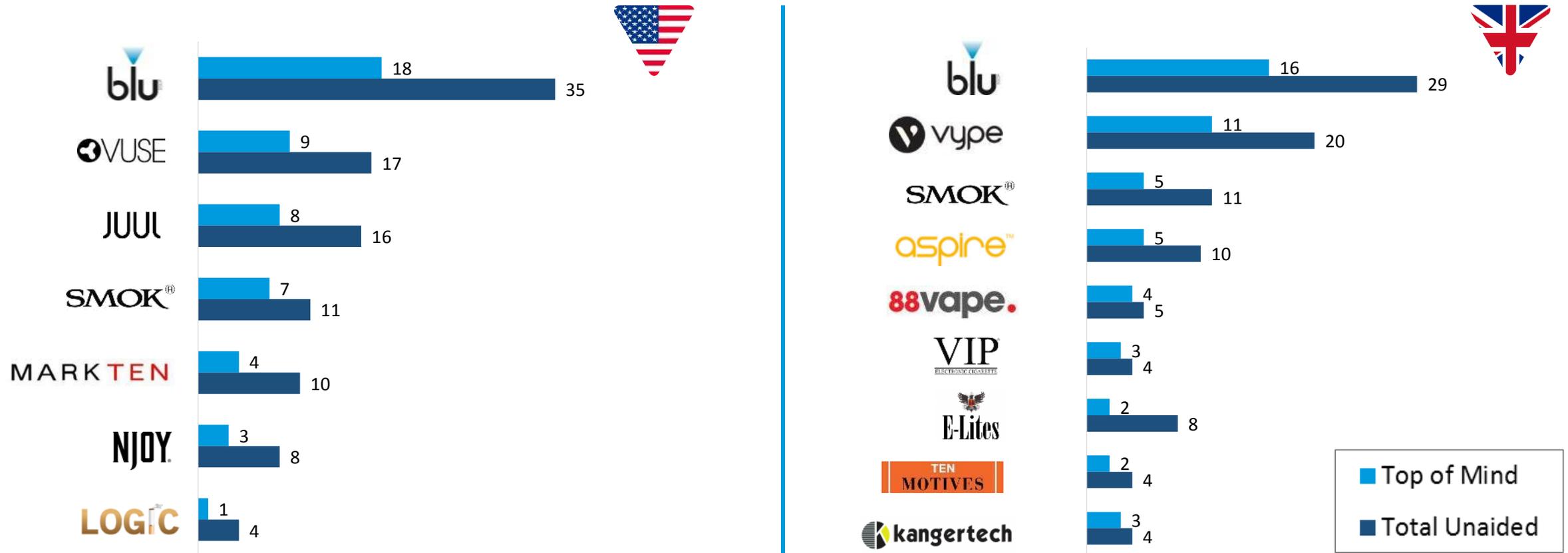




LEADING IN AWARENESS



Top of mind and total unaided awareness among adult vapers





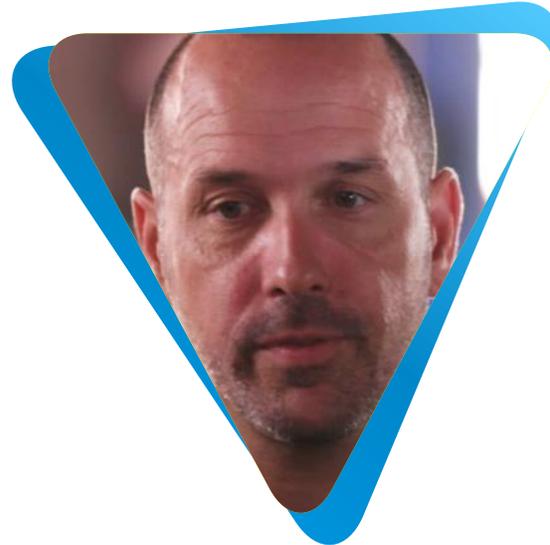
BUILDING blu



Today's Smoker



Our Story



The blu Brand



The Future is blu





Portfolio to Deliver Smoker Satisfaction





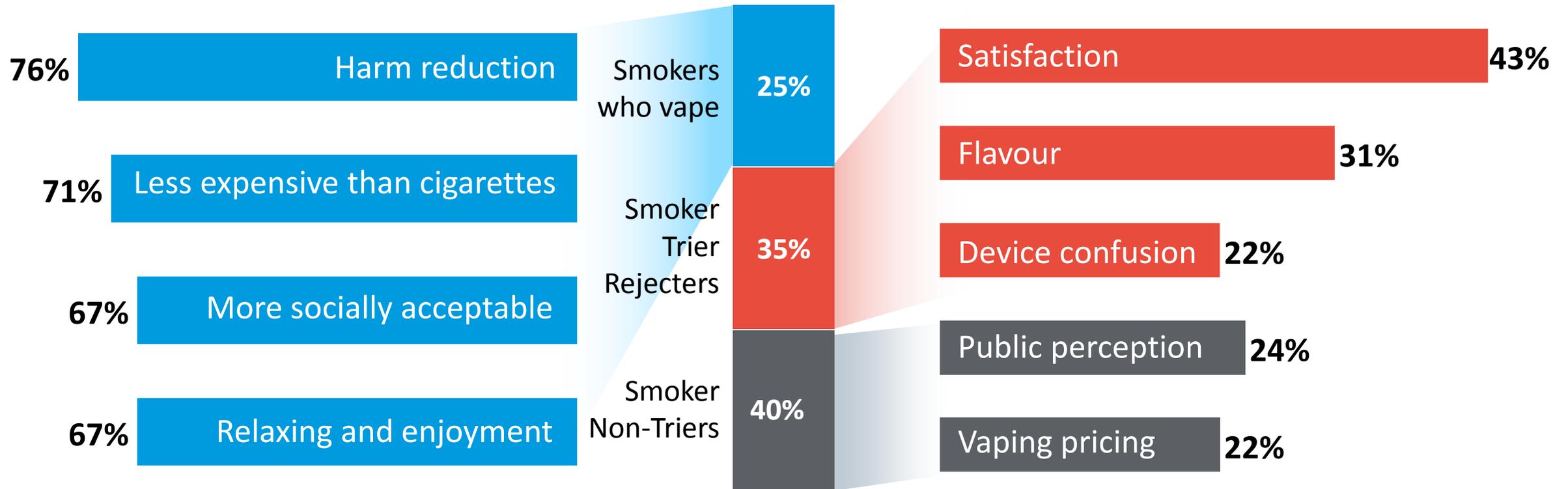
OPPORTUNITY EXISTS TO DELIVER A COMPELLING PROPOSITION



Drivers for current vapers

UK & US smokers

Main barriers for vape rejecters





GIVING SMOKERS WHAT THEY WANT



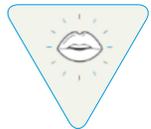


myblu – OUR CORE



Simple

Easy to use
Small and convenient
1 step click & go pod system



Taste & Satisfaction

16 great flavours
3 strengths
Nicotine salts



Quality

Engineered by the trusted category pioneer



Vapour And Capacity

Superior vapour production
1.5ml pods that last all day



Powerful

All day battery
Charges rapidly

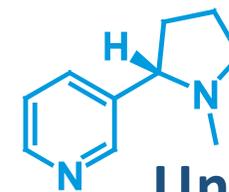
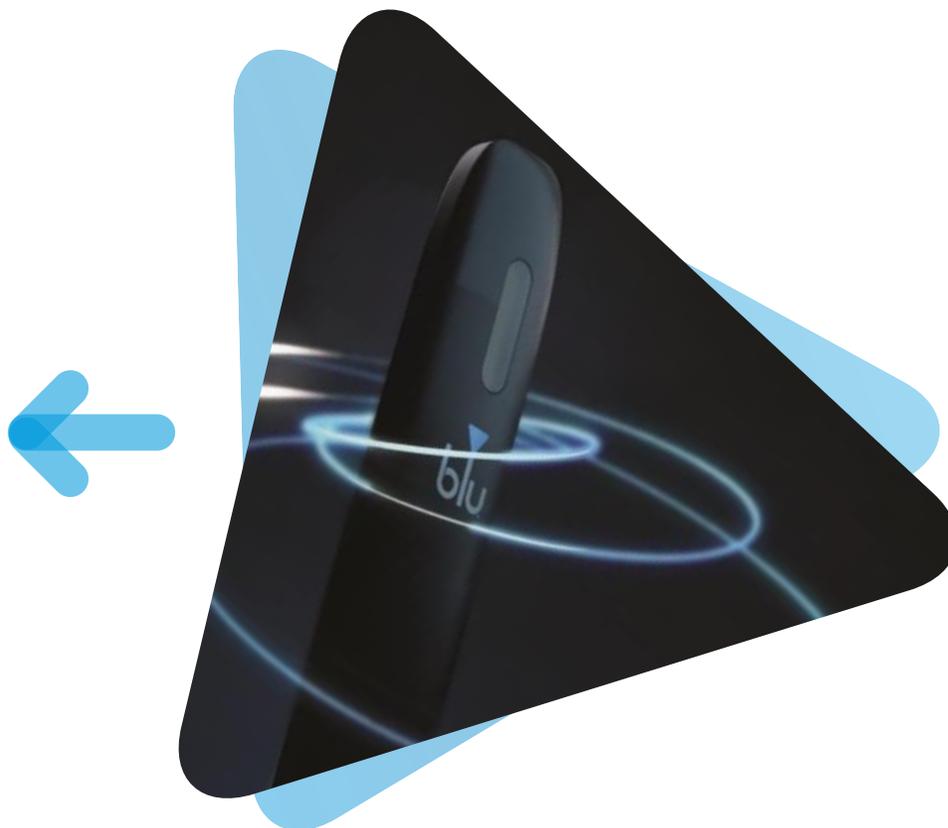


Innovation Platform

Perfect for technological and range extensions



myblu INTENSE NICOTINE SALTS



Unique Formula

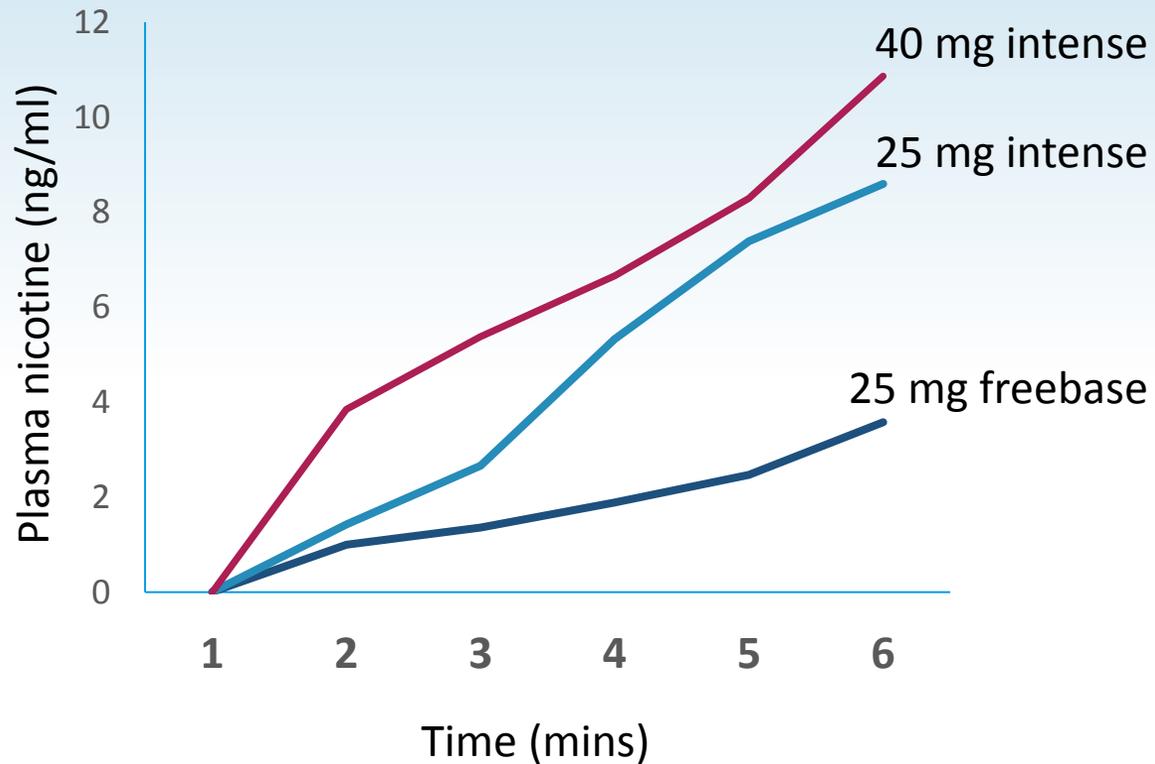
- / Nicotine salts created by smokers for smokers
- / Great flavour
- / Silky smooth
- / Ultimate satisfaction



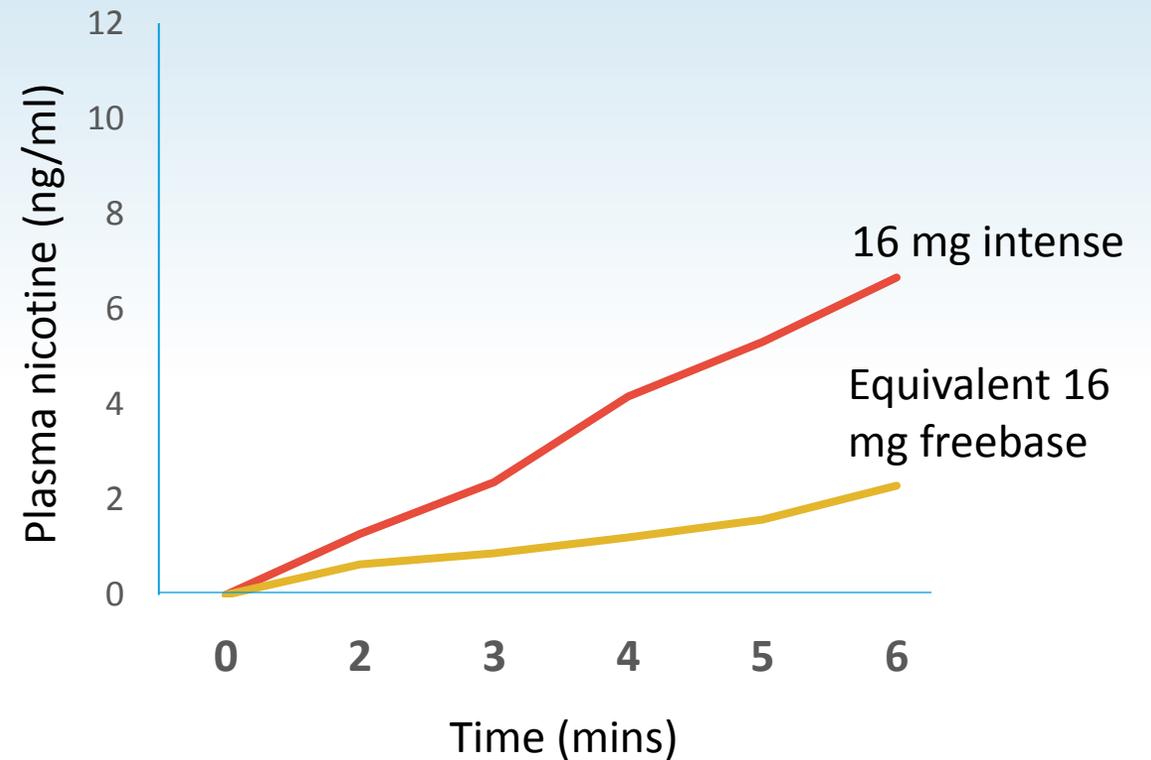
NICOTINE SALTS IMPROVE SATISFACTION AND CONVERSION



US intense formulations compared to US freebase



EU intense formulations compared to EU freebase





myblu: PREFERRED TO OTHER LEADING DEVICES



Flavour

57%

44%

Nicotine Satisfaction

57%

43%

Throat Hit

62%

38%

Look and Feel

64%

36%

Overall Preference

54%

46%

Purchase Intent

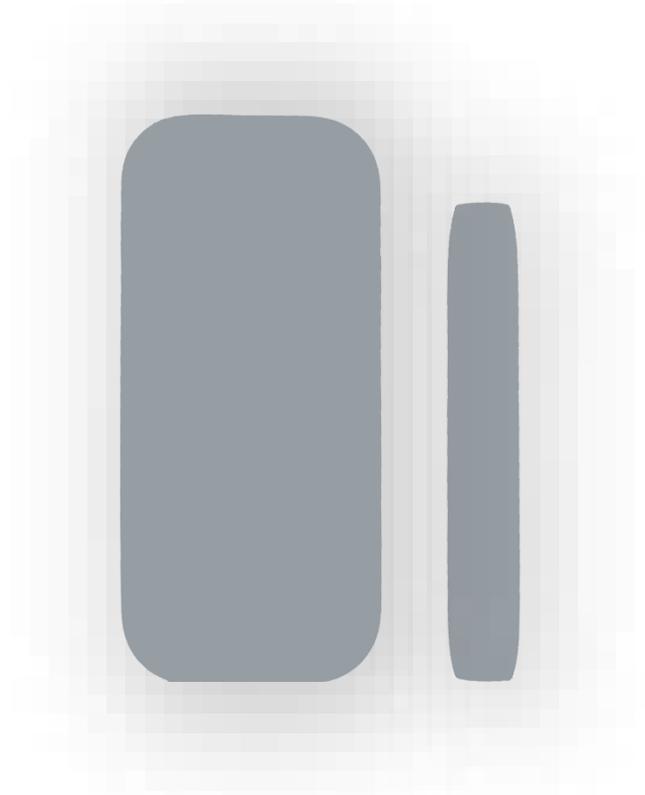
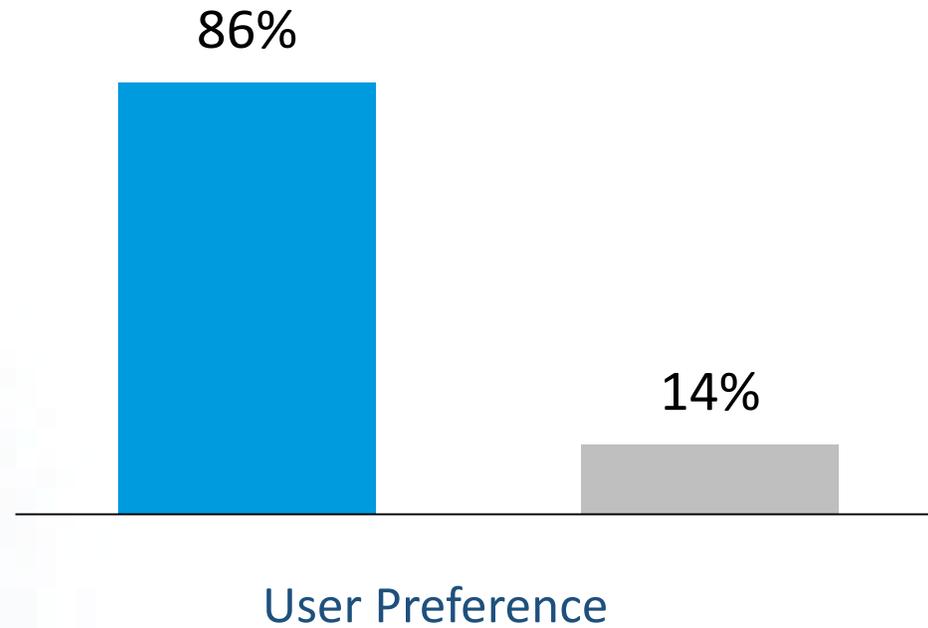
77%

64%



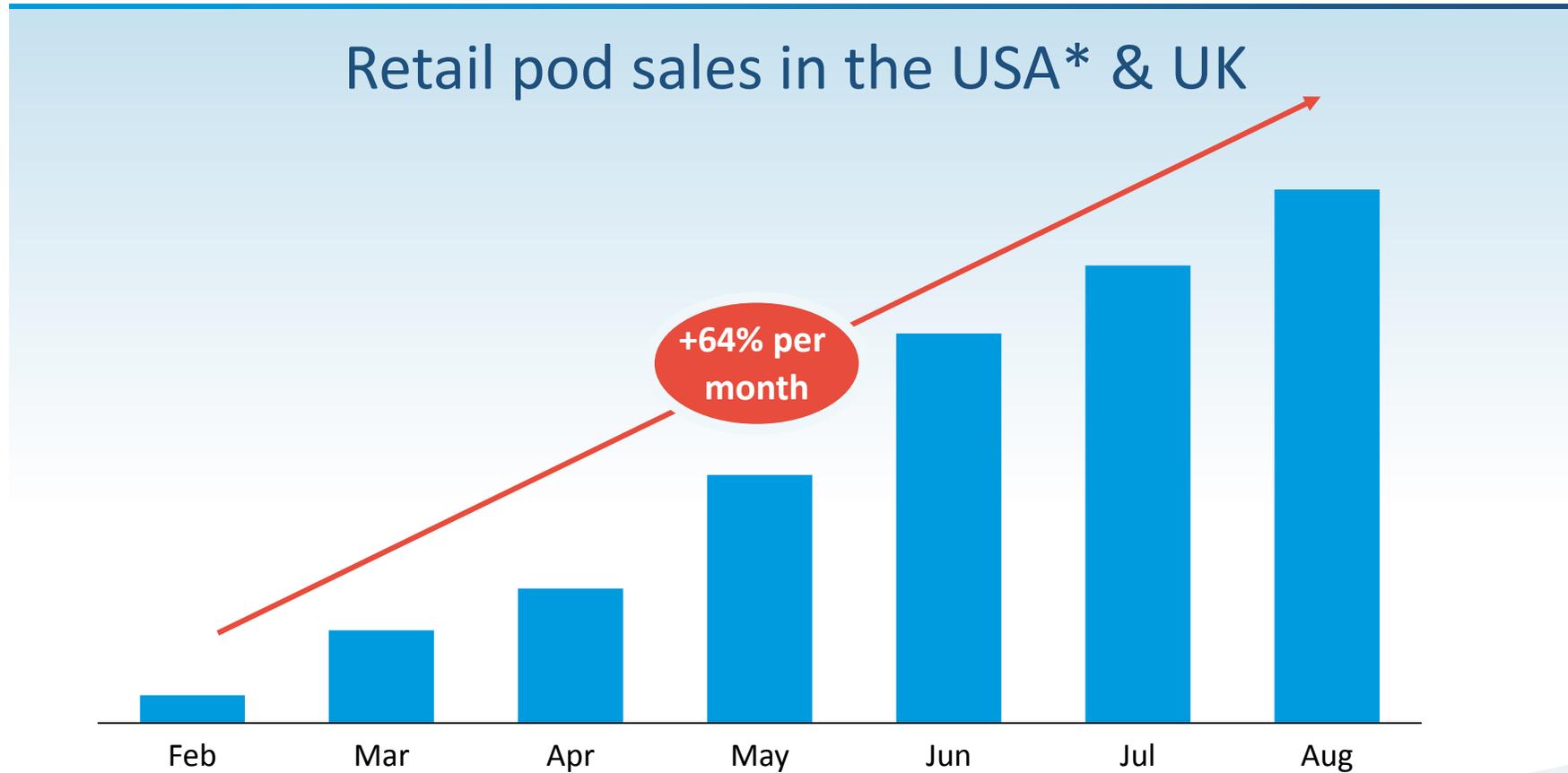


myblu: PREFERRED TO HEATED TOBACCO ALTERNATIVES





myblu BUILDING MOMENTUM

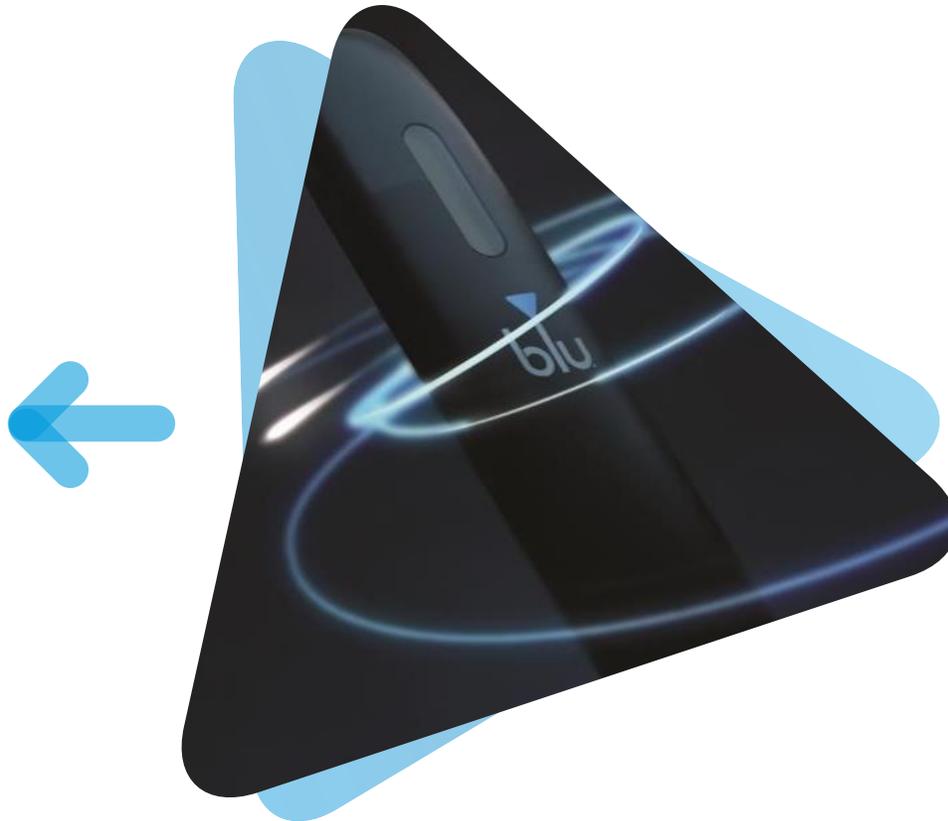




myblu – EXPERIENCE & EXPLORE!



Flavours



Colours



Devices



Connectivity



Accessories



myblu – DRIVING SMOKER CONVERSION



- / Unique brand
- / Delivering smoker satisfaction
- / Clinically tested
- / Loved by smokers
- / Innovation platform





Innovation, Science & the Environment



PIONEERING INNOVATION CAPABILITY

People



Great talent from leading FMCG companies



Roles



- Industrial Design
- Mech. Eng.
- Electronics Eng.
- Embedded Software
- Physics
- Formulation Design
- Legal & Compliance

Capabilities

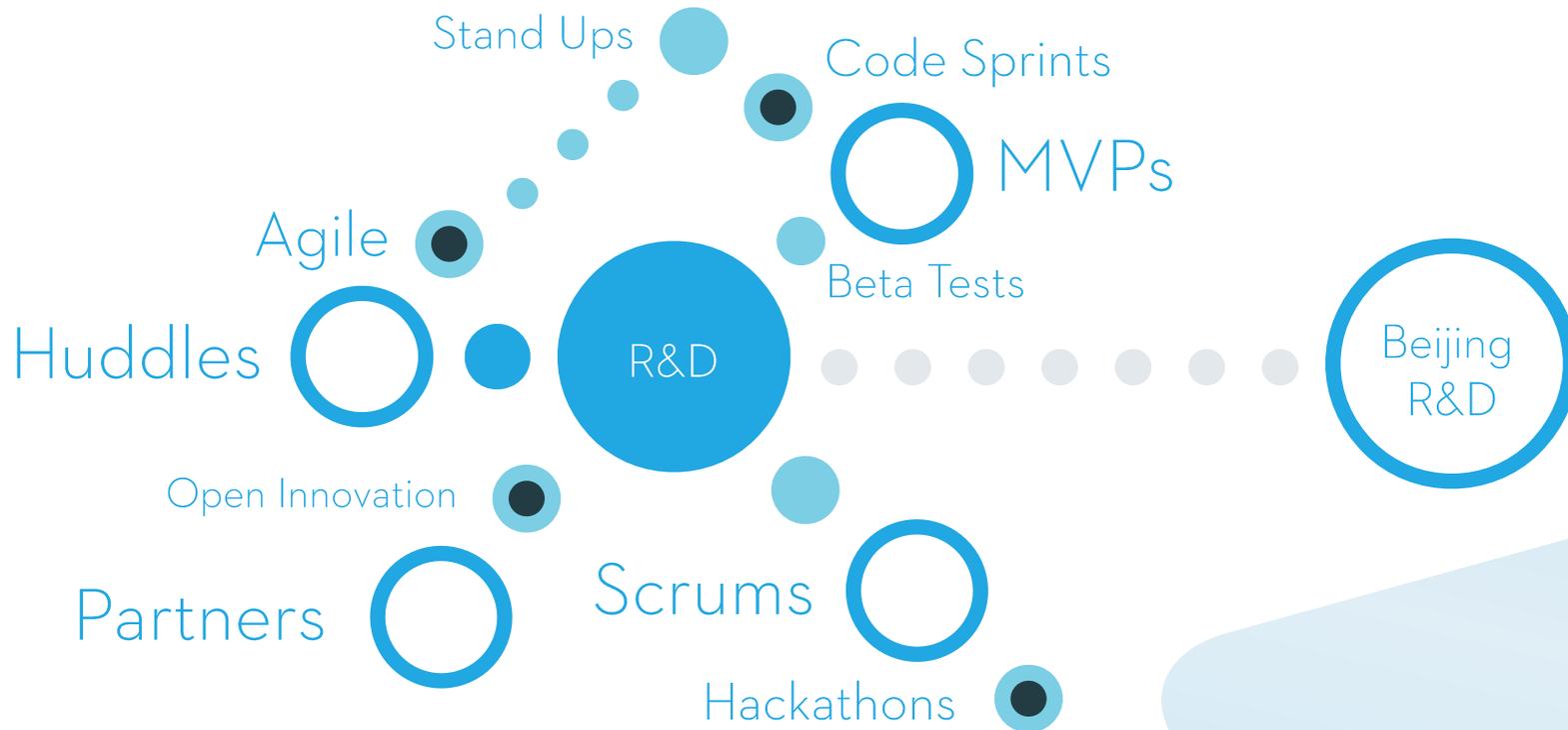


- Category Insights
- Rapid Prototyping
- Performance Characterisation
- Analytical Chemistry
- Pilot Capabilities
- Consumer Evaluation
- Intellectual Property



Rapid Consumer-Centric Innovation

LIVE INNOVATION PROCESS

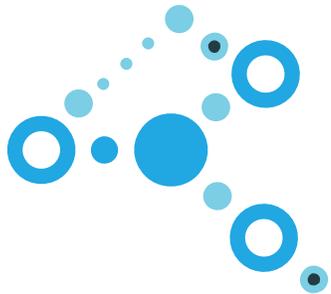


Hon Lik
Inventor of the e-cigarette

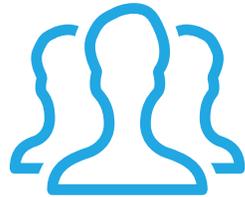


BEST IN CLASS PARTNERSHIPS

OPEN TO INSIGHTS, IDEAS, COLLABORATION, PARTNERSHIPS...

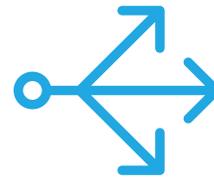


Deep internal capabilities connected to partner ecosystems – win win



Partnership mind-set

Speed, precision and routine



Multiply impact

Multiply impact of own resources and capabilities



Navigating uncertainty

Navigate uncertainty and balance risks



New capabilities

Source new capabilities for growth

FOCUS ON BENEFIT PLATFORMS

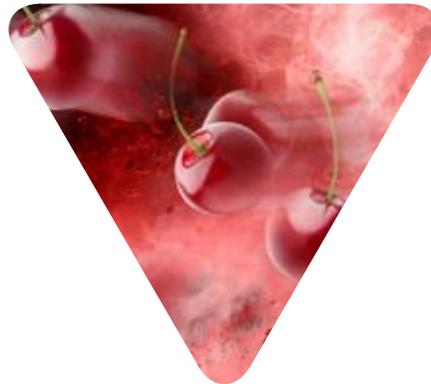
Smoker Driven, Insight Leading



Satisfaction
I Crave



Flavour
I Want



Flawless
In Use



The Perfect
Experience



WE KNOW WHAT NEEDS SOLVING

FLAVOUR

Intensity
Authenticity
Fatigue
Sensation
Stimulation
Trends
Localisation
Passive aroma
Stability
Visual perception
Mouth feel

DESIGN

Aesthetics
Tactility
Ergonomics
Mobility
Lip feel
Customisable
Identity & fit
Trends
Shelf presence

NICOTINE

Satisfaction
Site of absorption
Consistency
Stability
Tolerability
Protonation
Form
Device compatibility
Puffing topography

CONVENIENCE & RELIABILITY

Ease of use
Lifespan
Power efficiency
Consistency of experience
Availability
Shelf life
Compatibility
Maintenance & cleaning

SAFETY

Emissions
Toxicology
Battery
Materials
Environmental impact
Regulatory compliance
Leak-free
Child resistance

COST

Affordability
Value
Materials
Development
Margin

IP

Freedom to operate
Ownable technology
Patentability

2018: A TRANSFORMATIVE YEAR FOR OUR PRODUCT PORTFOLIO



Launched

myblu



blu ACE



myblu Intense



myblu optimise & scale



Significant R&D progress over last 6 months

3D Flavour



Connectivity



New pod design



A revolution
is happening

\$457bn

Estimated IOT market by 2020, with 40% in smart homes, wearables & connected health

Source: GrowthEnabler & MarketsandMarkets

15+ billion

Forecast number of connected (IOT) consumer devices worldwide by 2020

Source: Statista

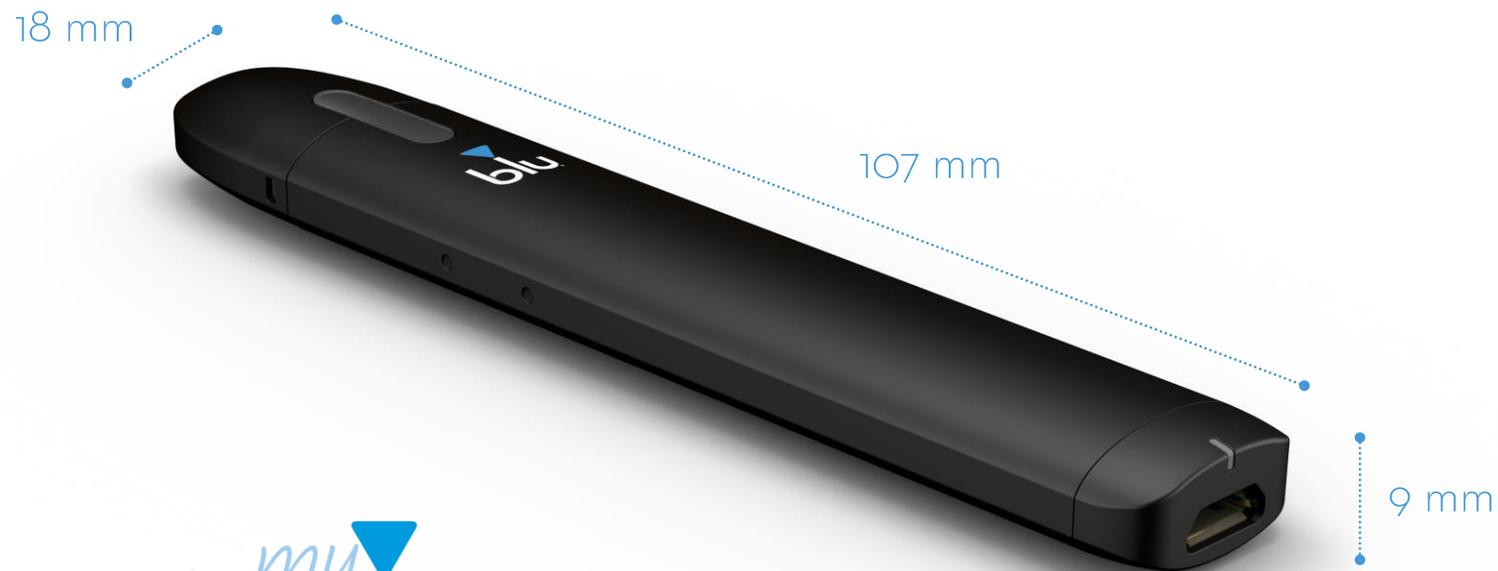
69%

Of organisations have adopted or plan to adopt IOT in the next year

Source: State of IoT 2018, Cradlepoint Business Intelligence Report

Supercharging
the experience



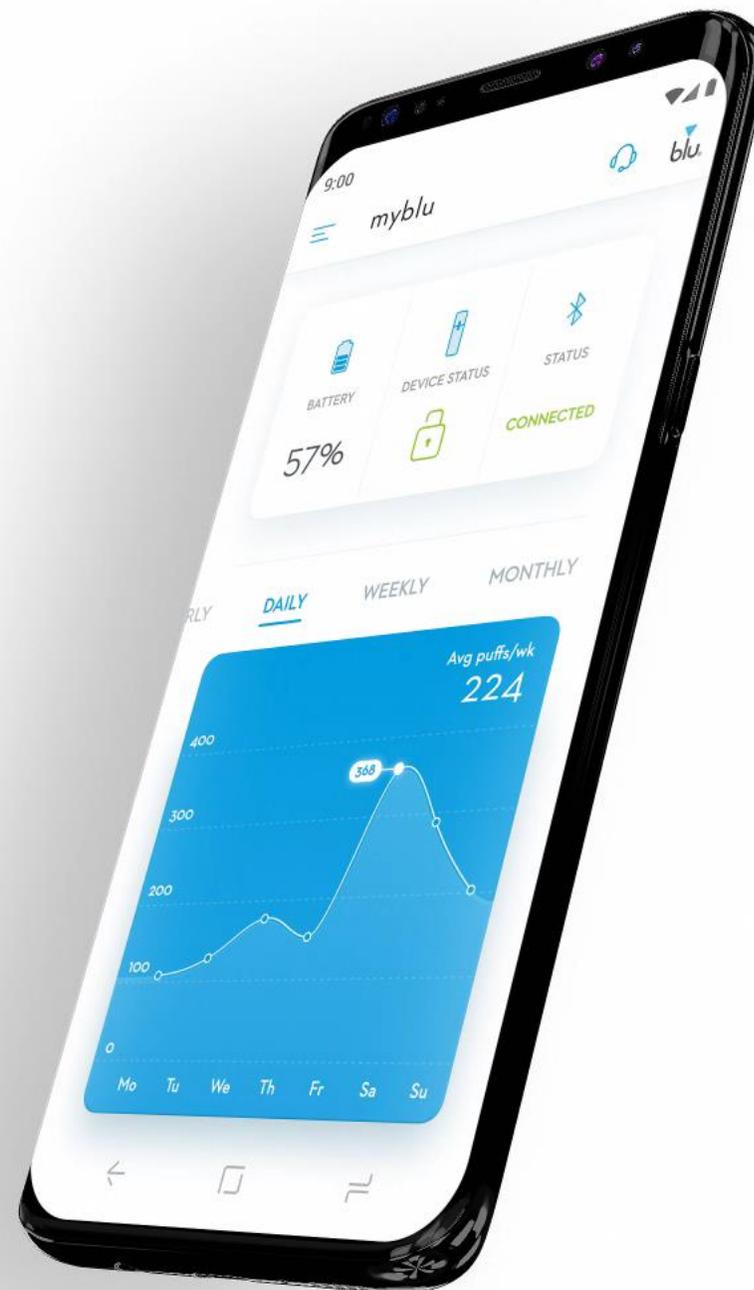


Our connected *my* **blu**TM

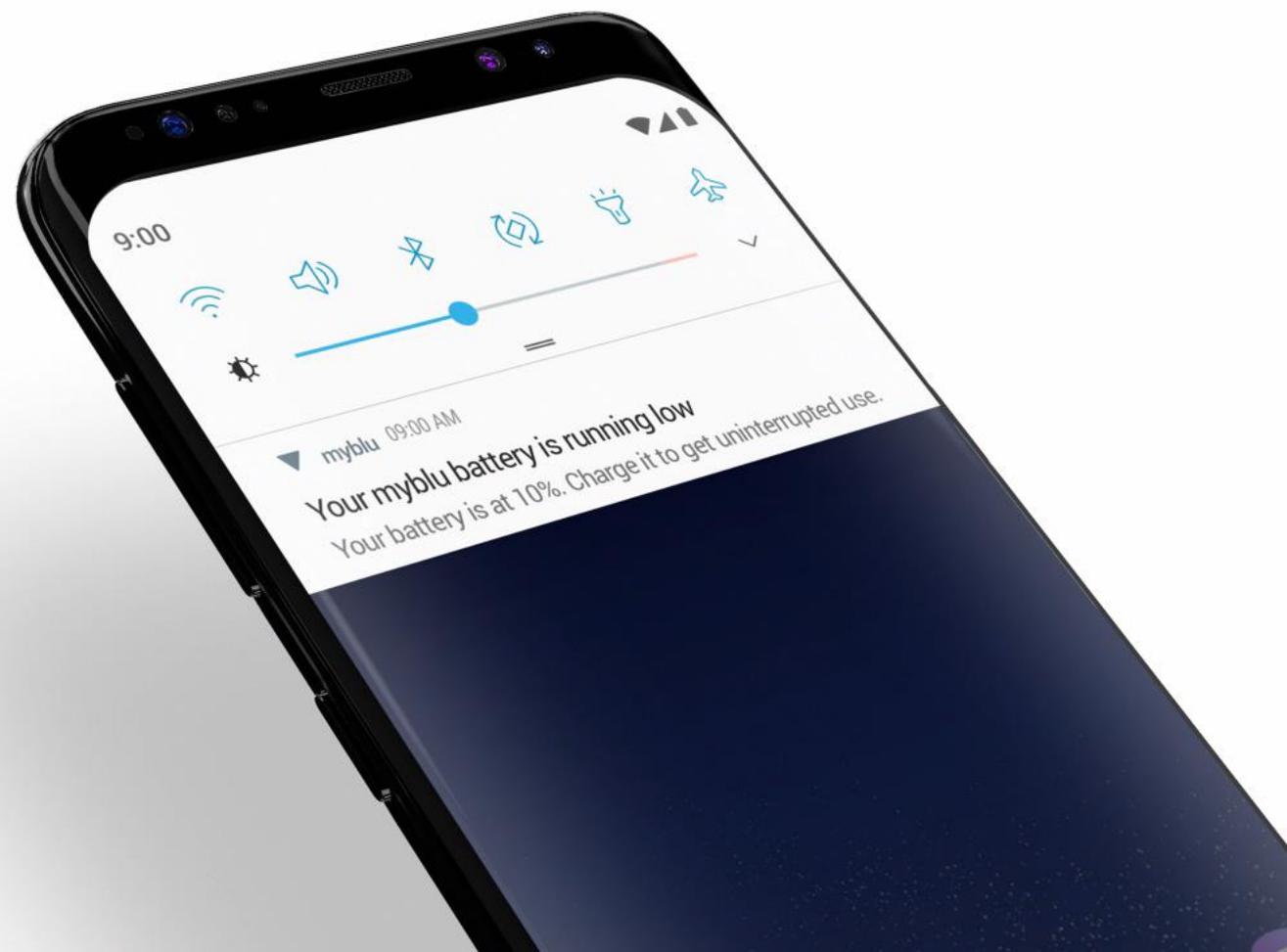


Quick and easy
activation into
ecosystem

Empowering smokers with information



There at crucial
moments





Next level
safety & security



Eliminating
youth access by
age verifying
every smoker

Rich data insights
into how smokers
use our products



Our connected



Flavour is key

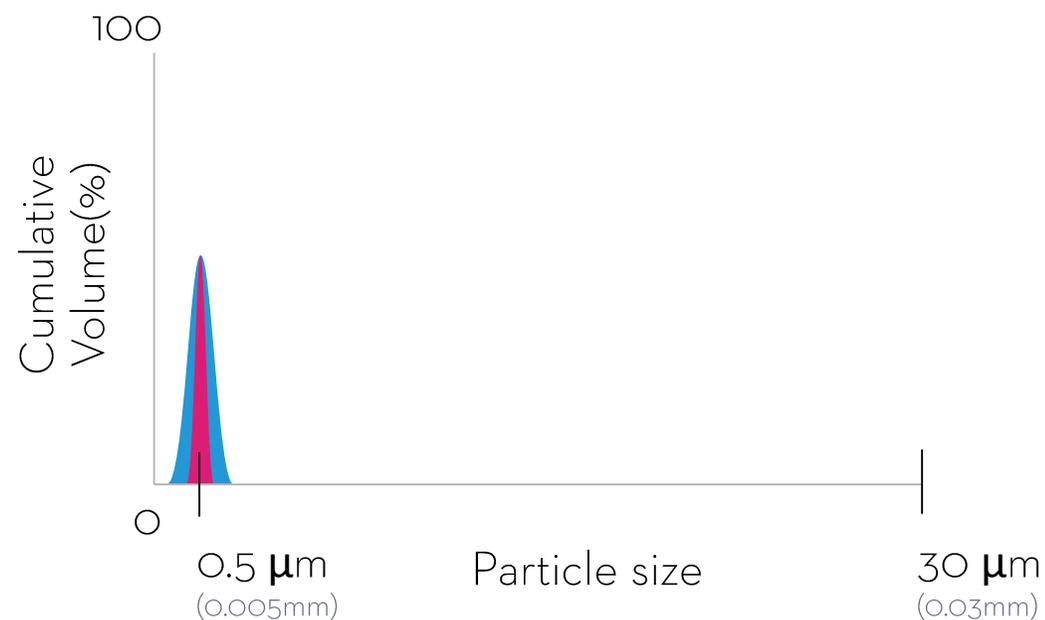
Revolutionary flavour experience



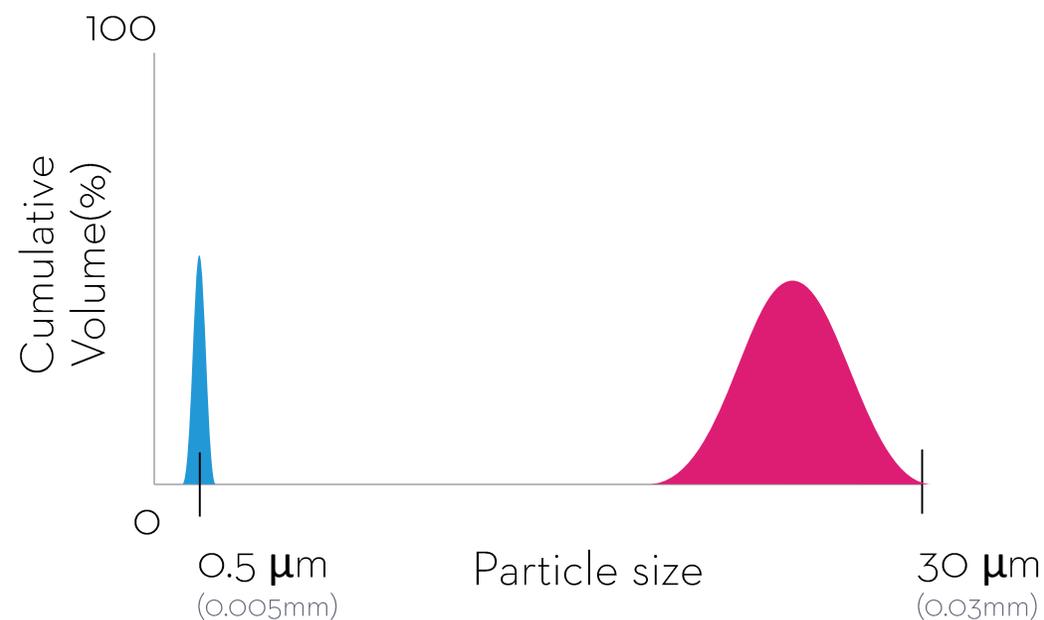
How does it work?

0.5 μm VAPOUR 30 μm FLAVOUR

Current vaping technology



3D Flavour technology





Unique and impactful

2018: A TRANSFORMATIVE YEAR FOR OUR PRODUCT PORTFOLIO



Launched



Tobacco Free Pouches



Significant R&D progress over last 6 months



New Pod Design



Heated Tobacco Pulze



Hybrid Nixx



NIXX™

Our unique hybrid
offering for a true
tobacco
experience



An exciting new option for smokers



“ The nicotine hit is just right ”



“ Changing liquidpods is easy & clean ”



“ The flavour is just like a cigarette! ”



“ Small, handy perfect size for my handbag ”



NIXX™

Our heated tobacco offering

Heated tobacco the way it should be



“ The smoking experience comes close to my cigarette ”



“ Smoother, milder, more balanced ”



“ I would like to carry it in my purse! ”



“ The smoke is better than in all the other samples ”

Key pain points solved:



Portability



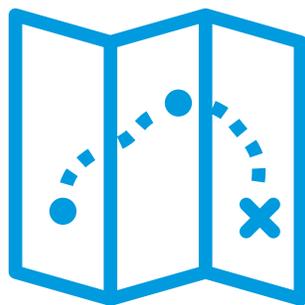
Continuous usage



Ease of cleaning



In-house
capability



We've navigated
a crowded IP space

150+

Patentable and
unique innovations



☉PULZE



OUR ORAL NICOTINE PORTFOLIO



Nordic SoM 12%

KNOX



Nordic SoM 9%



OUR ORAL NICOTINE PORTFOLIO

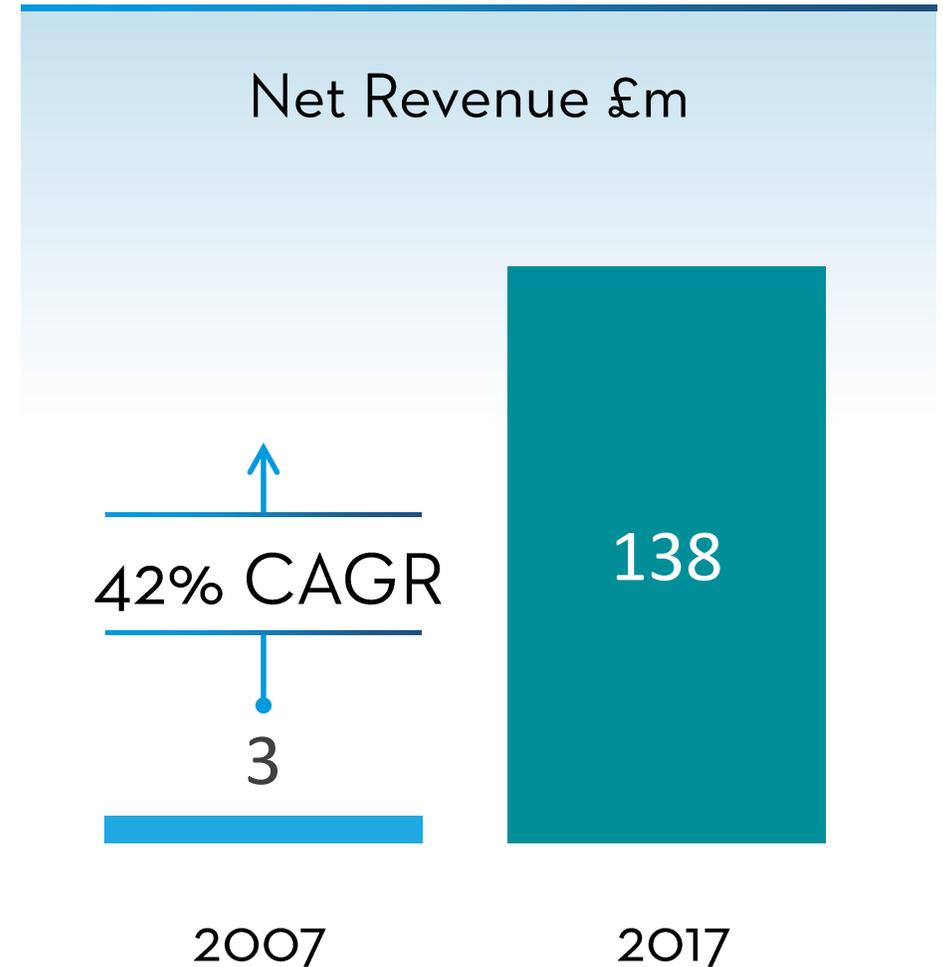


Nordic SoM 12%

KNOX



Nordic SoM 9%



CATEGORY INNOVATORS

Some Industry Firsts...

- / Strong & Super Strong
- / Dot led strength indicator – now industry standard
- / Fresh mint & other flavours range
- / Slim pouches for improved mouth feel



NEW PRODUCT: SKRUF SUPER WHITE



/ Launched May 2018

/ Tobacco free

/ All white snus – rapidly growing segment

/ Clean, premium & modern design

2018: A TRANSFORMATIVE YEAR FOR OUR PRODUCT PORTFOLIO



Launched

myblu blu ACE myblu Intense myblu optimise & scale



Tobacco Free Pouches



Significant R&D progress over last 6 months

3D Flavour Connectivity

New Pod Design



Heated Tobacco Pulze



Hybrid Nixx

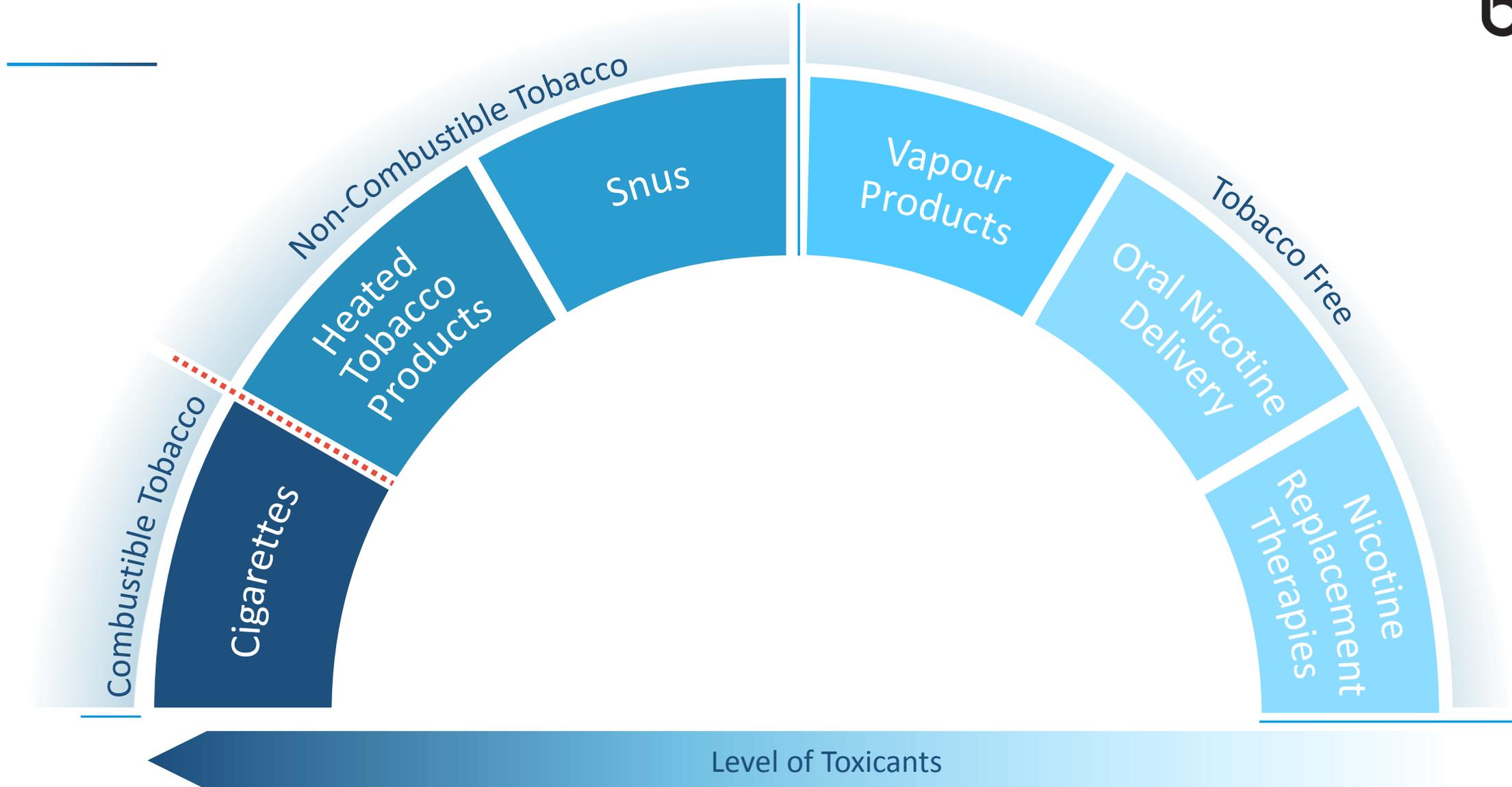




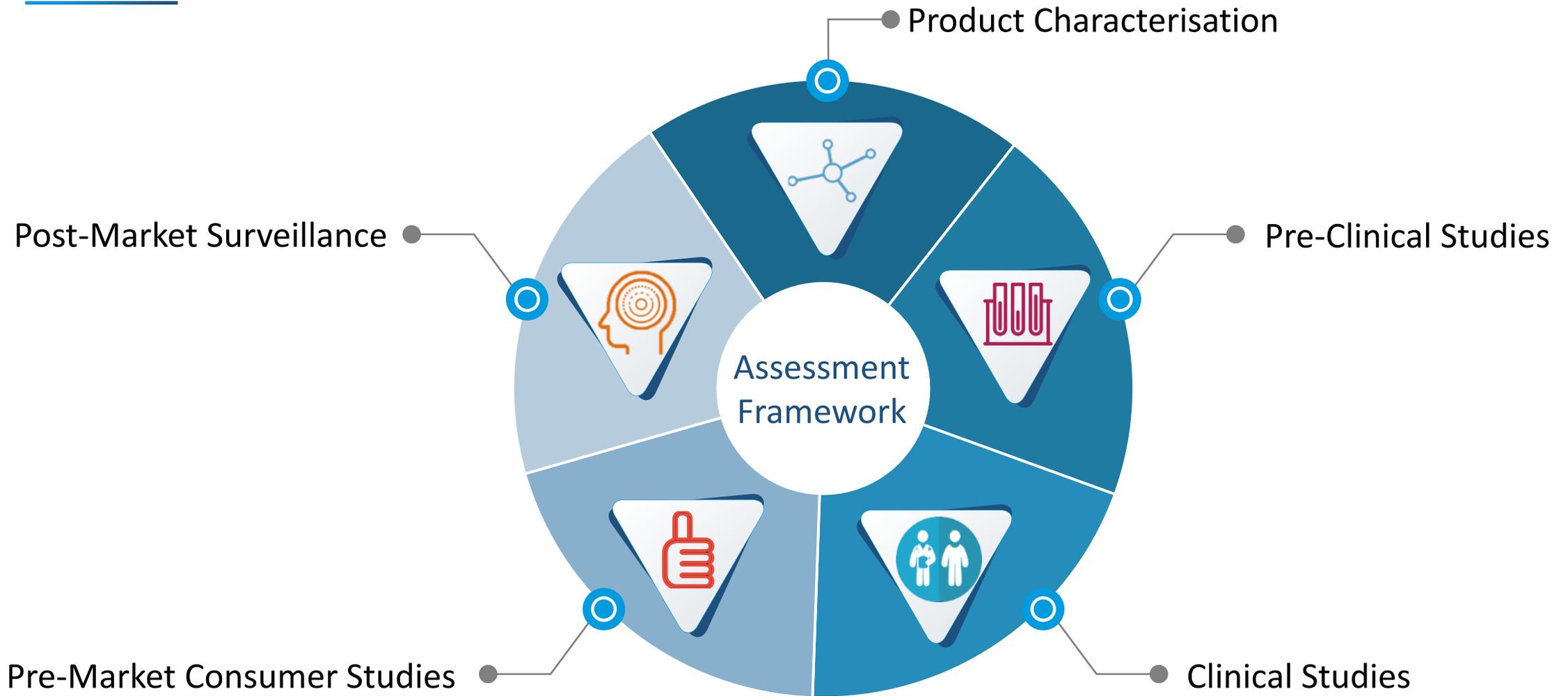
HARM REDUCTION SCIENCE



INVESTING IN SCIENCE TO SUPPORT RISK SPECTRUM

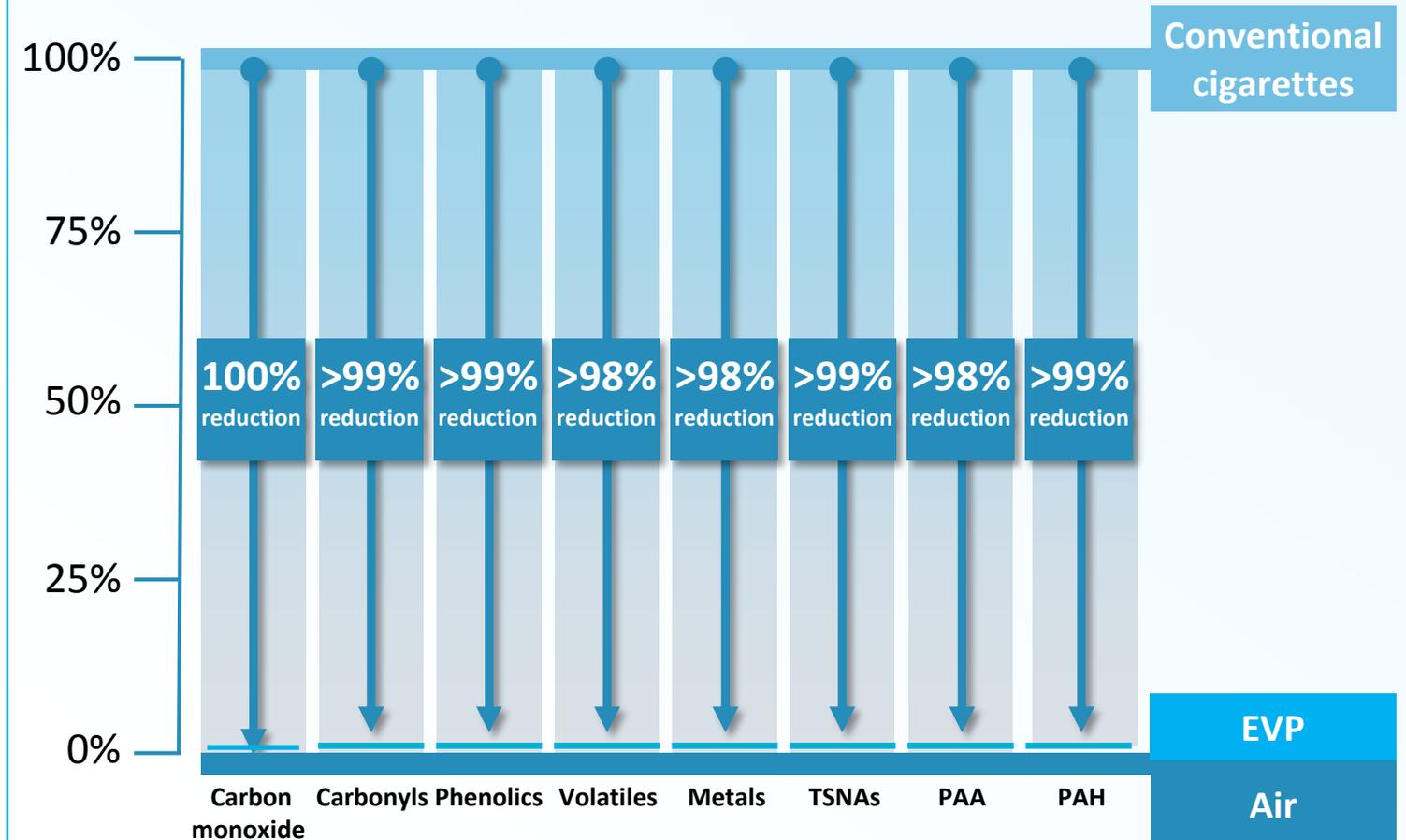
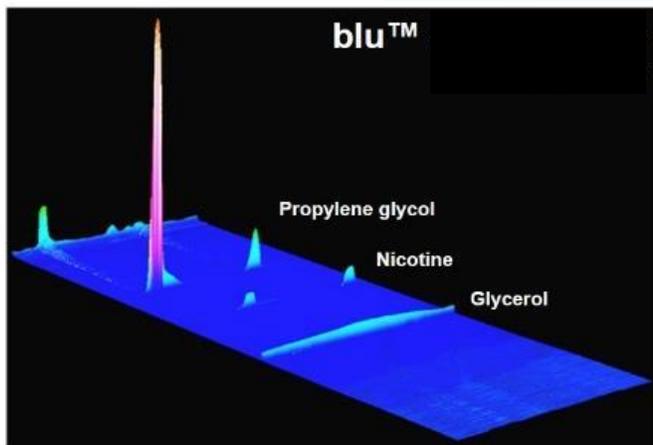
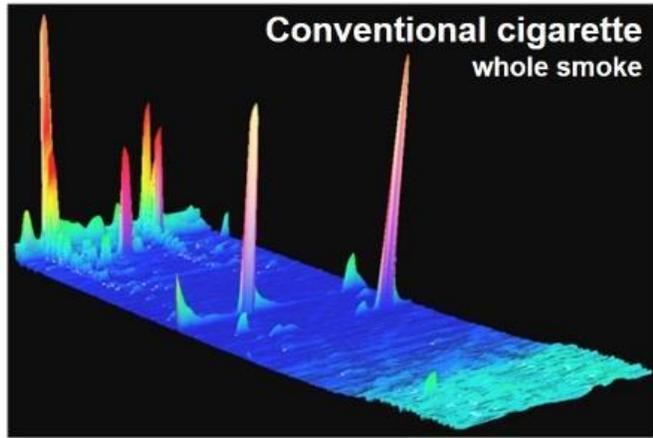


FRAMEWORK TO SUBSTANTIATE HARM REDUCTION POTENTIAL



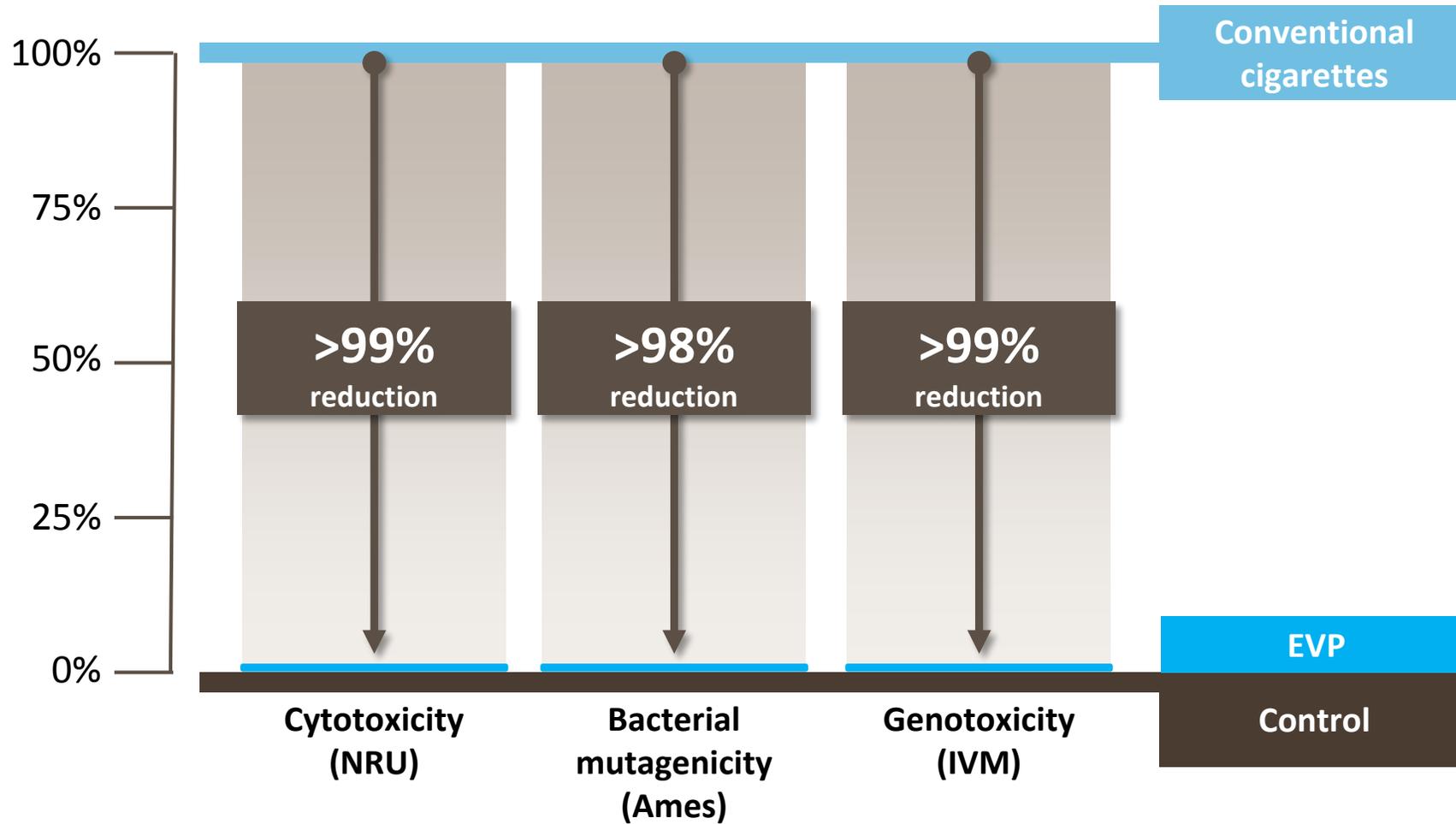


UP TO 99% REDUCTION IN HARMFUL CHEMICALS





SUBSTANTIAL REDUCTION IN TOXICITY IN REGULATORY TESTS

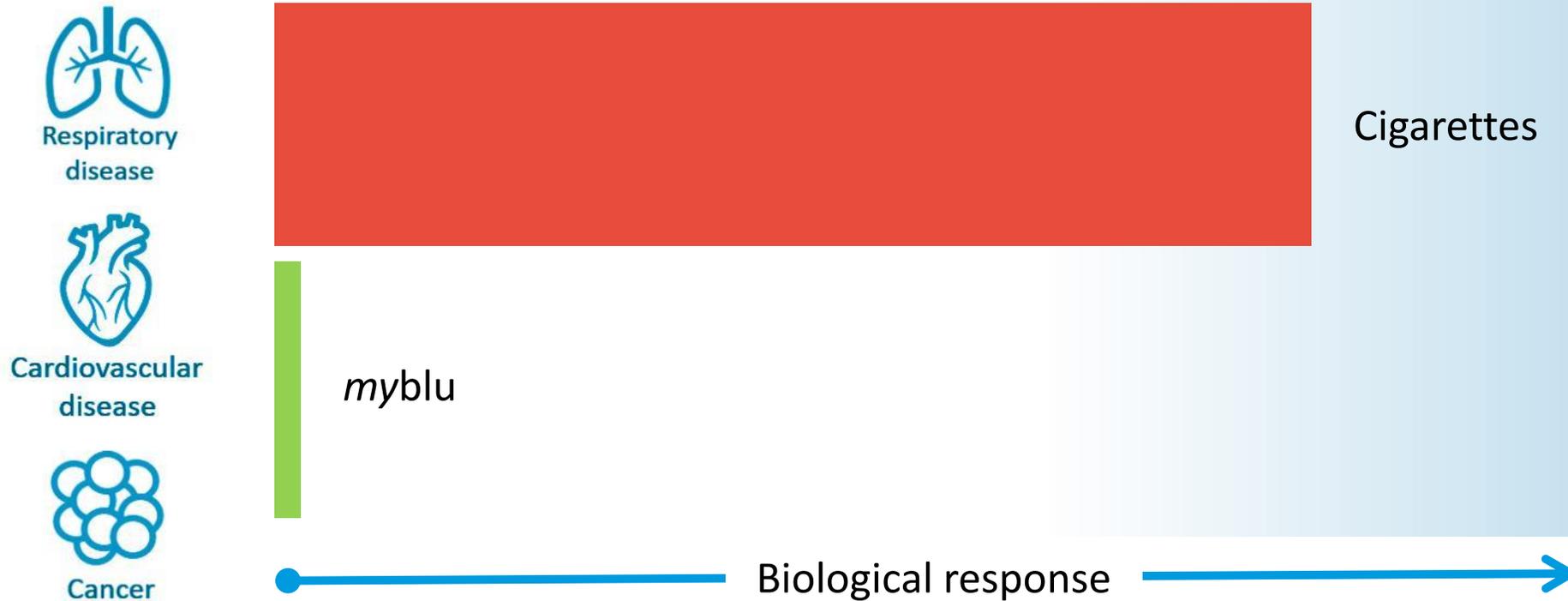




IN VITRO PRE-CLINICAL STUDIES PROVIDE A WEIGHT-OF-EVIDENCE APPROACH TO ASSESSING LONG-TERM HEALTH RISKS



2 years in to 5 year research toxicology program





IN VITRO PRE-CLINICAL STUDIES PROVIDE A WEIGHT-OF-EVIDENCE APPROACH



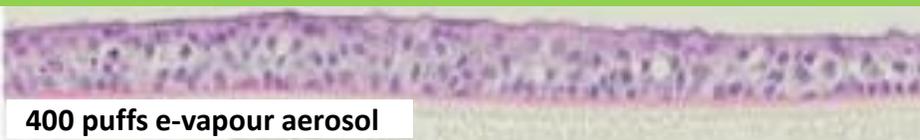
myblu did not elicit cell death, oxidative stress or inflammatory markers at 14 times the concentration used for cigarettes⁺



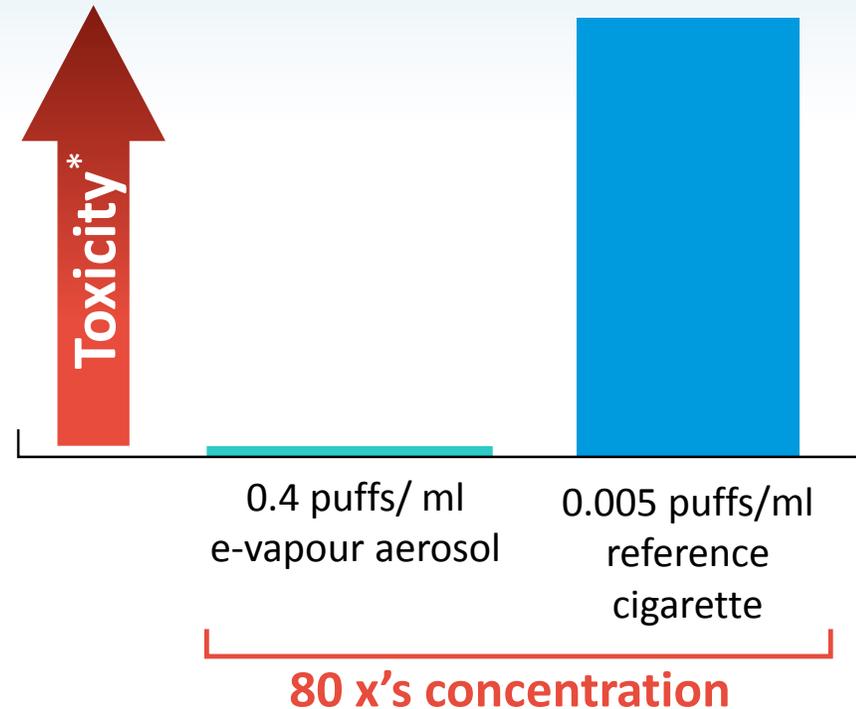
Severely damaged lung tissue after 27 cigarette puffs



Intact lung tissue after 400 puffs of EVP aerosol

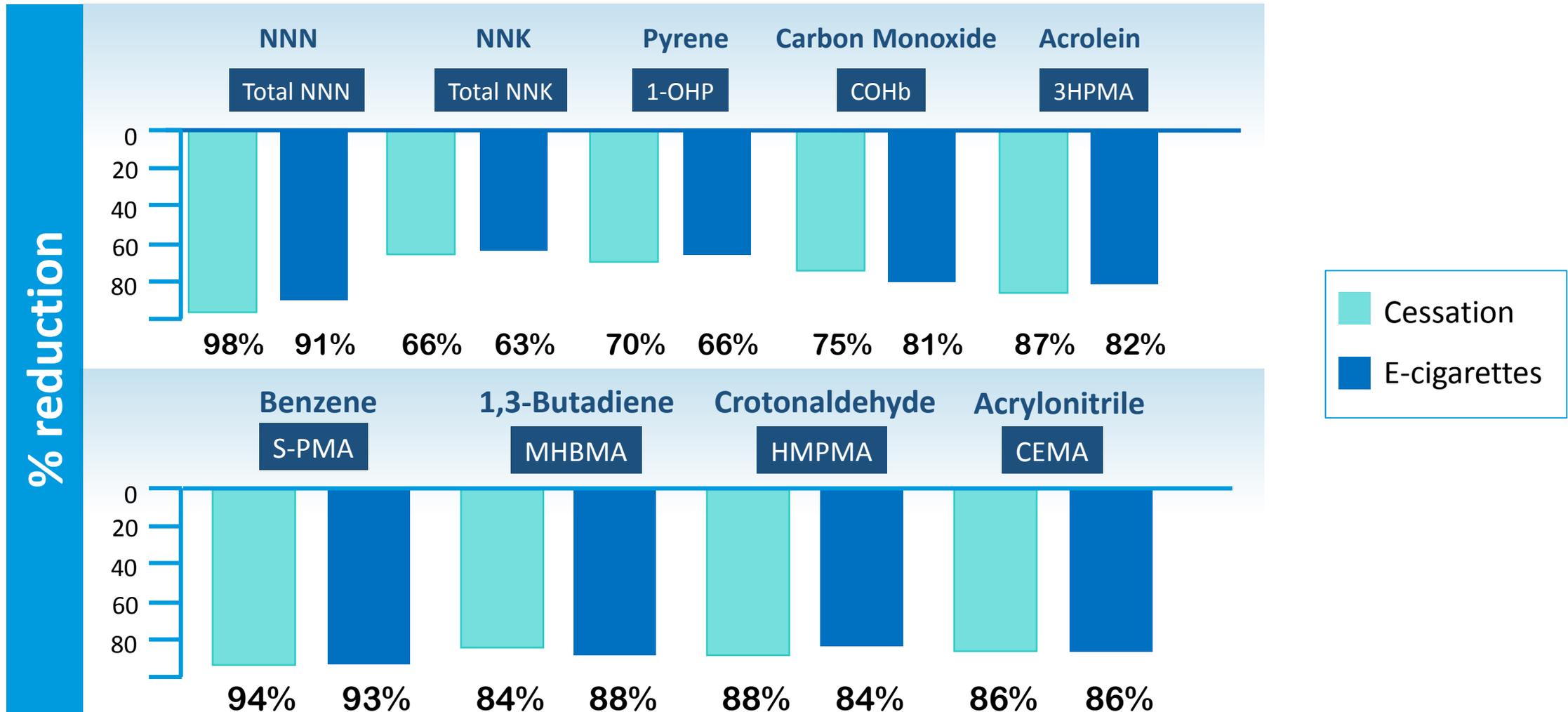


myblu did not elicit any biological response at 80 times the concentration used for cigarettes





BIOMARKERS OF EXPOSURE FOR VAPERS INDISTINGUISHABLE FROM QUITTERS





CLINICAL STUDIES SHOW NO HEALTH CONCERNS OVER A 2-YEAR PERIOD



No clinically significant adverse changes



Reduced craving and smoking



Reduced exposure to HPHC



Reduced incidence of airway infection



No cardio-vascular effects

www.imperialbrandsscience.com

Regulatory Toxicology and Pharmacology 92 (2018) 296–358

Contents lists available at ScienceDirect

Regulatory Toxicology and Pharmacology

journal homepage: www.elsevier.com/locate/yrtph

Evaluation of the safety profile of an electronic vapour product used for two years by smokers in a real-life setting

Tanvir Walee^{a,*}, Jim Bush^b, Annelize Koch^c, Rebecca Savioz^d, Claire Martin^d, Grant O'Connell^a

^aFontem Ventures, Barbara Stroetlaan 16L, 1083 LN Amsterdam, The Netherlands
^bConsumer Clinical Research Unit, Hyde Street, Leeds, LS2 9EM, UK
^cSanbec Research, Mersey Tydals, CP46 4DB, UK
^dChopser S.A., Jardins 6, 1426 Concie, Switzerland

Regulatory Toxicology and Pharmacology 87 (2017) 36–53

Contents lists available at ScienceDirect

Regulatory Toxicology and Pharmacology

journal homepage: www.elsevier.com/locate/yrtph

Measurement of cardiovascular and pulmonary function endpoints and other physiological effects following partial or complete substitution of cigarettes with electronic cigarettes in adult smokers

Carl D. D'Ruiz^{a,*}, Grant O'Connell^{b,**}, Donald W. Graff^c, X. Sherwin Yan^d

^aClinical Study Consultant, Fontem Ventures, Greensboro, NC, USA
^bFontem Ventures, Scientific and Regulatory Affairs, Amsterdam, The Netherlands
^cCelerion, Lincoln, NE, USA
^d Lorillard Tobacco Company (formerly), Greensboro, NC, USA

TOXICOLOGY MECHANISMS AND METHODS, 2016
 VOL. 26, NO. 6, 453–464
<http://dx.doi.org/10.1080/15576516.2016.1196282>

Taylor & Francis
 Taylor & Francis Group

RESEARCH ARTICLE

Reductions in biomarkers of exposure (BoE) to harmful or potentially harmful constituents (HPHCs) following partial or complete substitution of cigarettes with electronic cigarettes in adult smokers

Grant O'Connell^a, Donald W. Graff^b and Carl D. D'Ruiz^c

^aFontem Ventures, B.V., Scientific and Regulatory Affairs, Amsterdam, The Netherlands; ^bCelerion Inc, Lincoln, USA; ^cFontem Ventures, B.V., Greensboro, NC, USA

ABSTRACT
 Changes in fifteen urine, blood and exhaled breath BoEs of HPHCs representing classes of compounds reported by FDA to be significant contributors to smoking-associated disease risks were measured in 105 clinical-confined subjects following randomization and a five-day forced-switch from usual brand

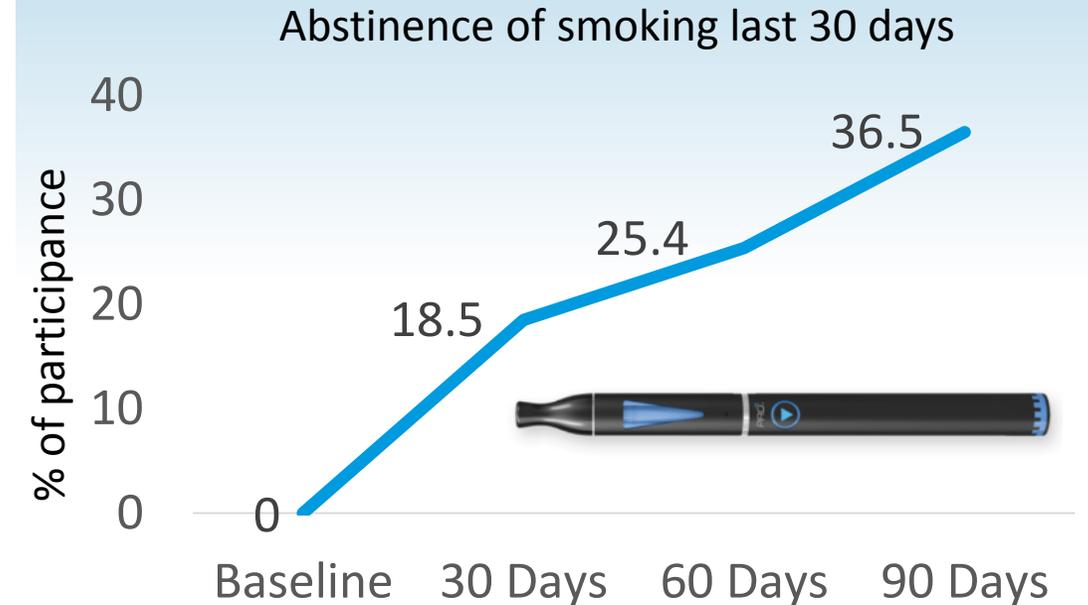
ARTICLE HISTORY
 Received 25 April 2016
 Revised 27 May 2016
 Accepted 27 May 2016



VAPING IS NOT A GATEWAY TO SMOKING



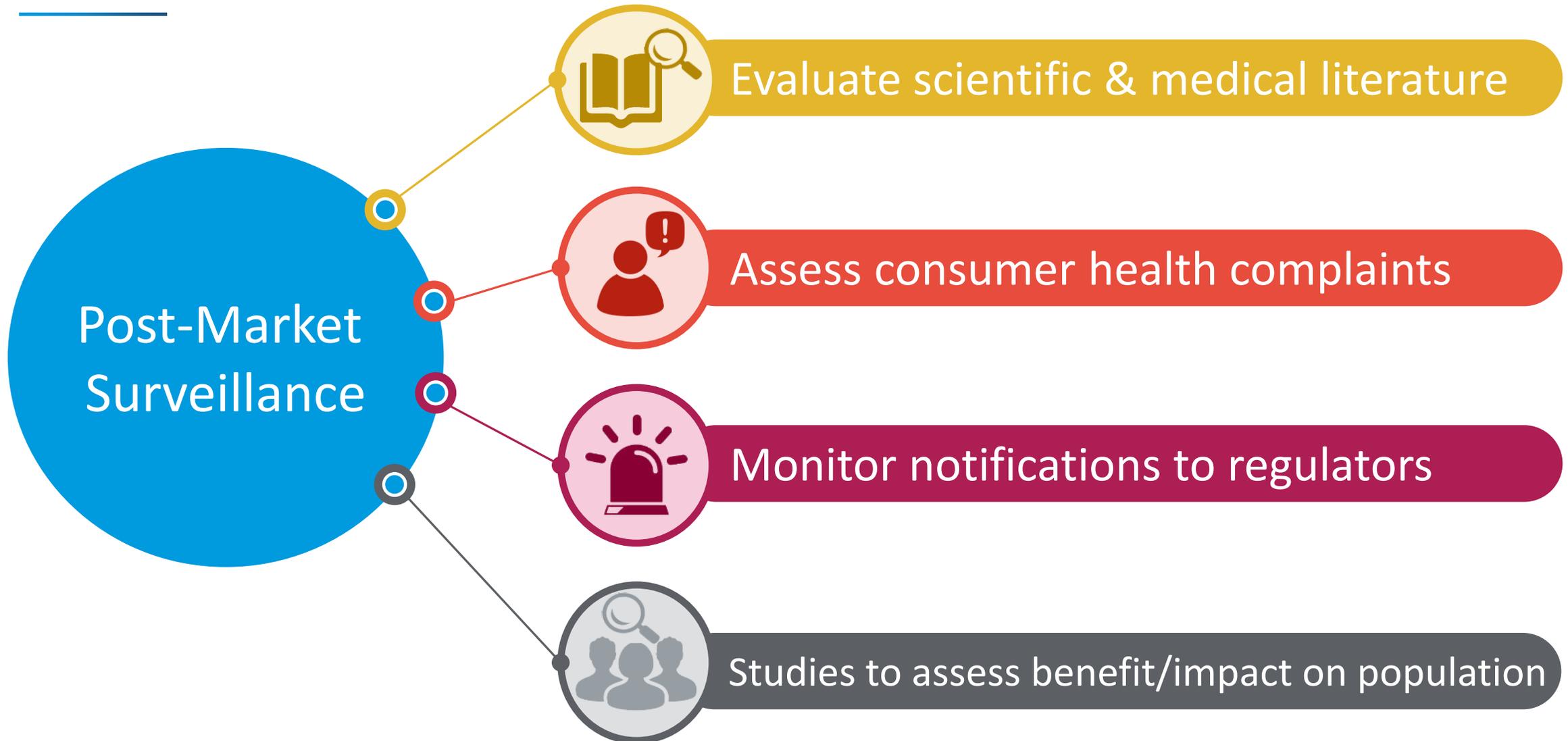
- / Dynamic population modelling backed up by real data
- / Of 20,676 frequent US vapers...
- / Only 34 were never smokers that went on to smoke
- / Harm reduction potential to population as a whole



- / Dual users are on a longer journey to smoking abstinence



POST-MARKET SURVEILLANCE ACTIVITIES



SUBSTANTIAL PRODUCT ASSESSMENT IS ESSENTIAL TO EVALUATE SAFETY AND HARM REDUCTION POTENTIAL



Product Characterisation



Pre-Clinical Studies



Clinical Studies



Pre-Market Consumer Studies



Post-Market Surveillance





The Environment



GROWING PUBLIC HEALTH ENDORSEMENT



“complete switching from combustible tobacco cigarettes to e-cigarettes would be expected to reduce tobacco-related health risk”



“individuals should be encouraged to switch to the least harmful form of tobacco product possible; switching to the exclusive use of e-cigarettes is preferable to continuing to smoke combustible products”



“switching from tobacco cigarettes to vaping products will reduce a person's exposure to many toxic and cancer-causing chemicals”



“on the basis of current evidence vaping e-cigarettes is definitely less harmful than smoking cigarettes”

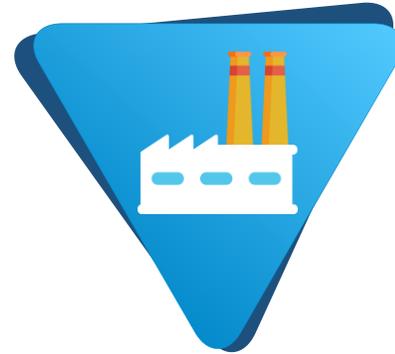


“vaping poses only a small fraction of the risks of smoking and switching completely from smoking to vaping conveys substantial health benefits”

SUPPORTIVE ENVIRONMENT FOR SMOKER CONVERSION KEY IN RAPIDLY EVOLVING SECTOR



Dynamic environment experiencing exponential growth



Producer behaviours inconsistent; no industry standard



Regulation & right excise framework key to support smoker conversion

LEADERSHIP AND RESPONSIBILITY ARE KEY

Advertising & Marketing



Social Media



Youth Access

THE WALL STREET JOURNAL.

“ Schools and Parents Fight E-cigarettes Epidemic ”



“ ‘I cant stop’: school struggles with vaping explosion ”

The New York Times

“ Vaping now an Epidemic Among US High Schoolers ”

Education

Daily Mail

“ E-cigarette Timebomb ”

THE Sun

“ Vaping As Bad As Fags ”

FDA ACTION: POSITIVE STEP TOWARDS STRONGER CATEGORY

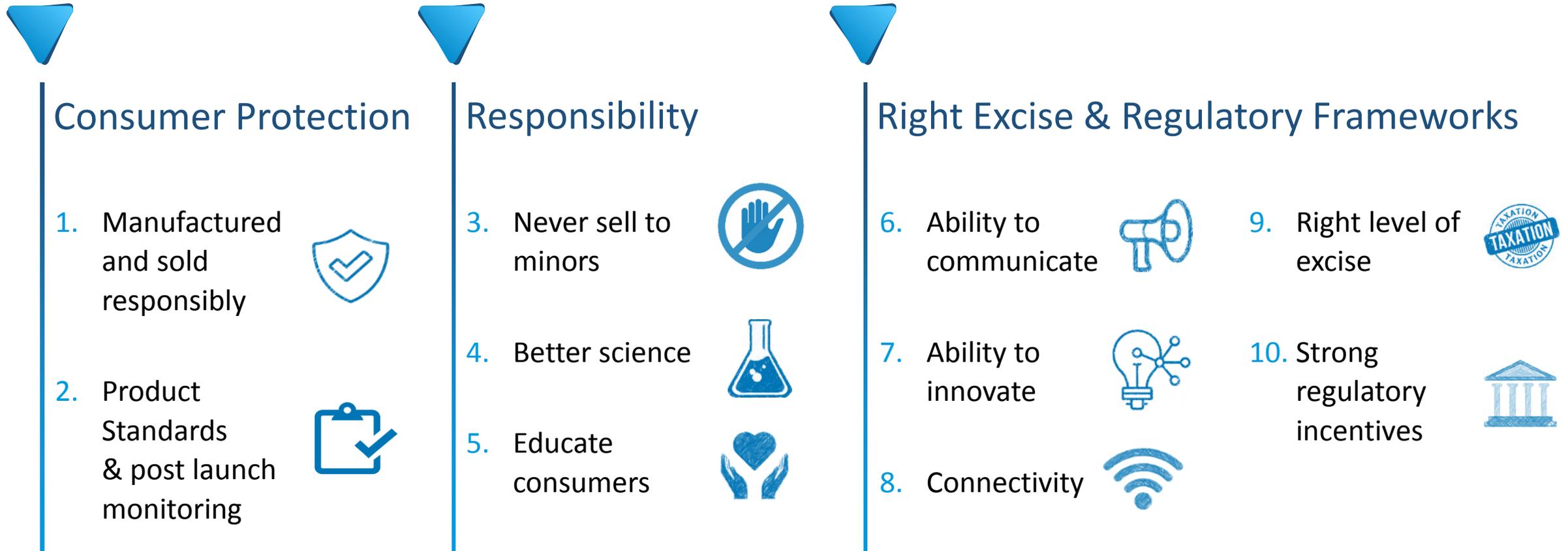


FDA News Release

FDA takes new steps to address epidemic of youth e-cigarette use, including a historic action against more than 1,300 retailers and 5 major manufacturers for their roles perpetuating youth access

- / Positive step to ensure compliance
- / Evolving robust and sustainable sector
- / Favours responsible operators
- / Fully support FDA actions & initiatives
- / Proactively implementing best practice
- / Preparing responses & proactive suggestions

STRONG CAPABILITIES AND A CLEAR AGENDA



Corporate Affairs resources on the ground in over 60 countries



Significant
Additive
Opportunity

Compelling
Proposition

Delivering
Returns

Winning
Execution

building 
blu™



Winning
Execution



Clear Market Focus



Smoker Adoption Model



Building blu:
UK, Japan & USA





Clear Market Focus

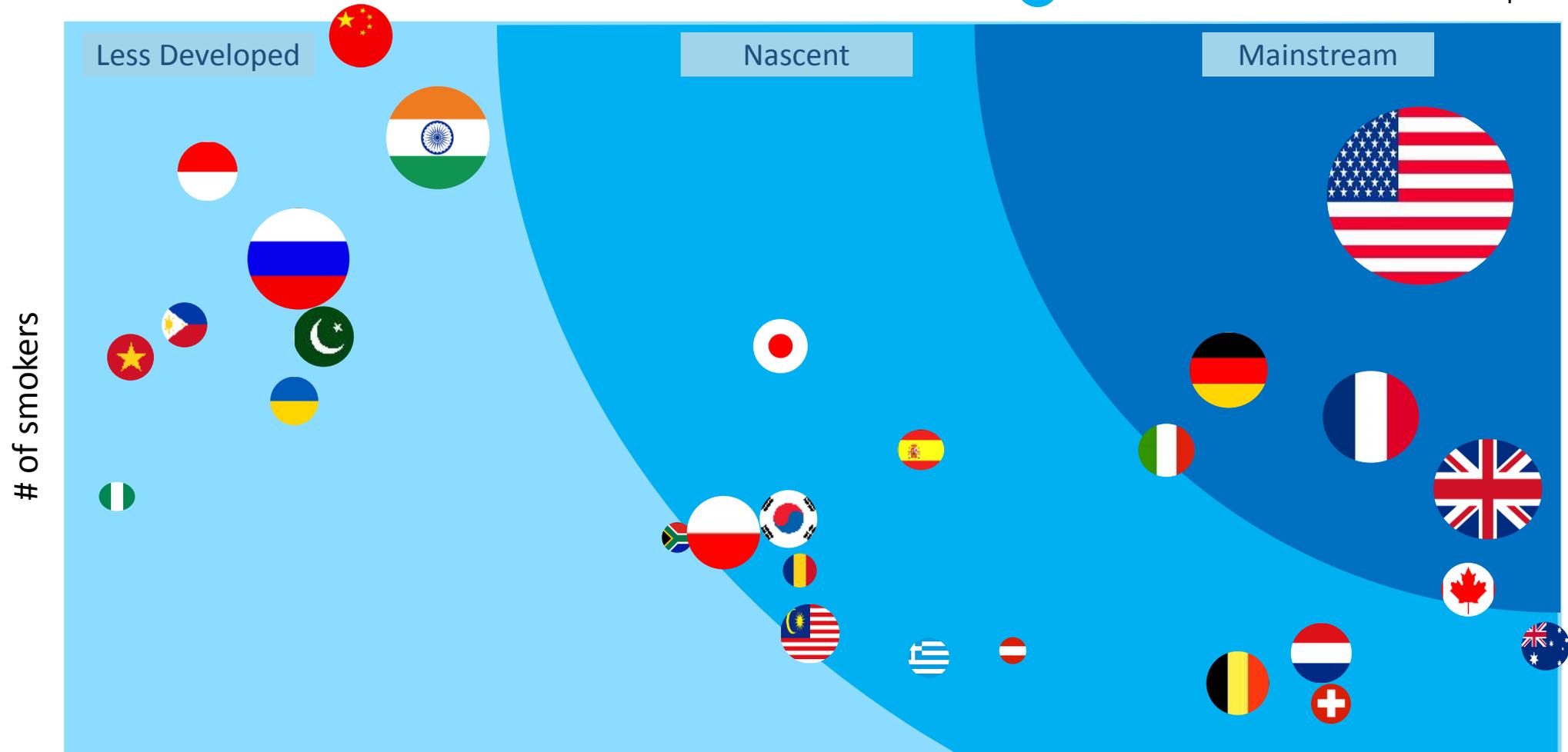




PRIMARY TARGET: SMOKERS IN HIGH VALUE MARKETS



● Size of bubble = current number of vapers





Smoker Adoption Model

OMNICHANNEL SMOKER ADOPTION MODEL

BELIEVE

Building awareness,
consideration and trust

BUY

Stimulating trial and purchase

BUY
AGAIN

Creating repeat purchase

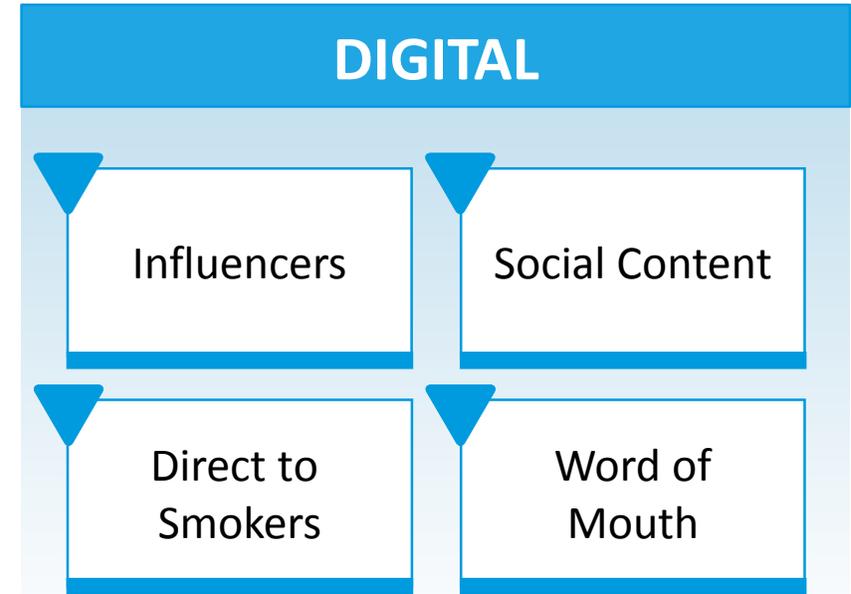
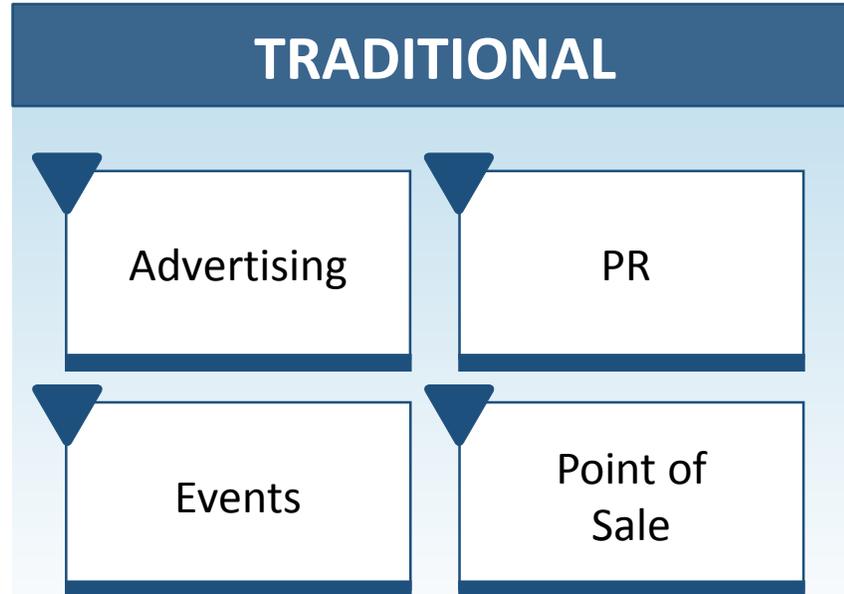
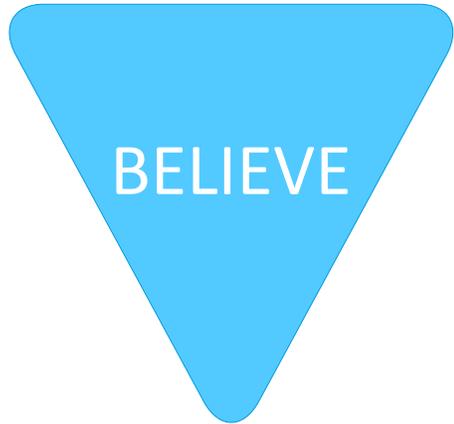
BELONG

Fostering loyalty through
community and belonging





BELIEVE – AWARENESS, CONSIDERATION, TRUST

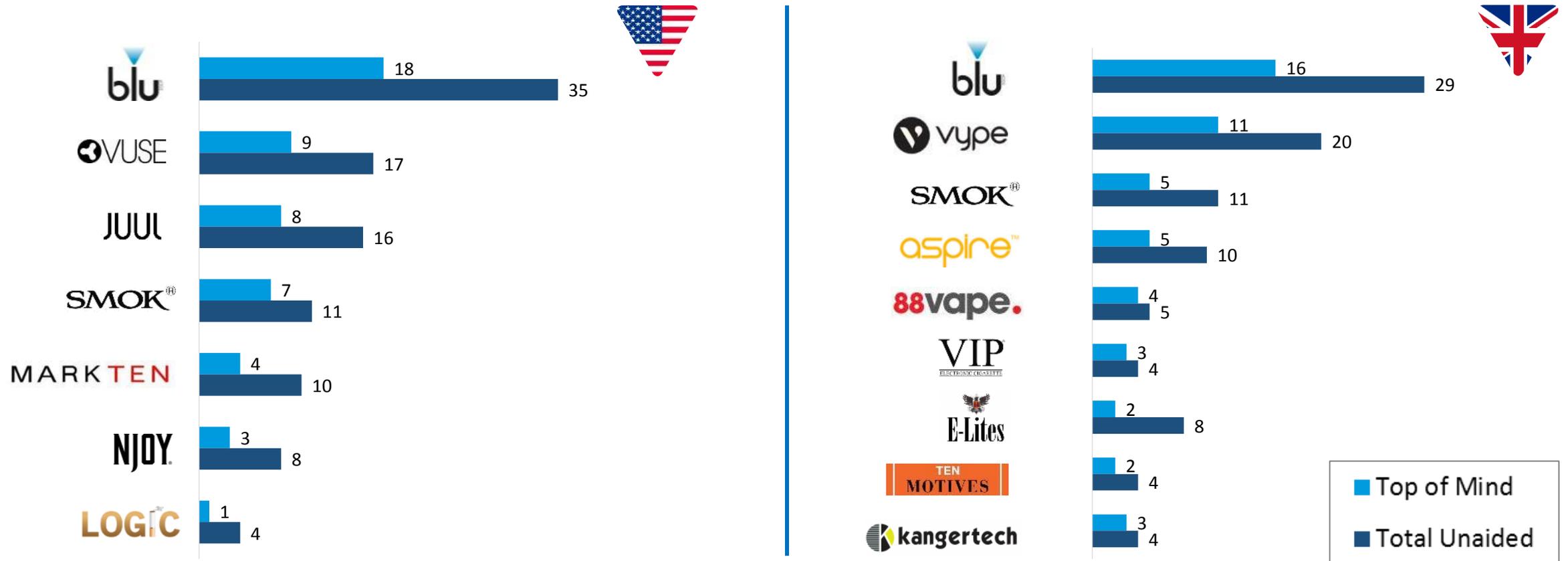




LEADING IN AWARENESS



Top of mind and total unaided awareness among adult vapers





ONLINE SEARCH – TRAFFIC +96%



- / Objective to grow from owning our brand to owning the category
- / Improved website journeys on blu.com
- / Enhanced content strategy

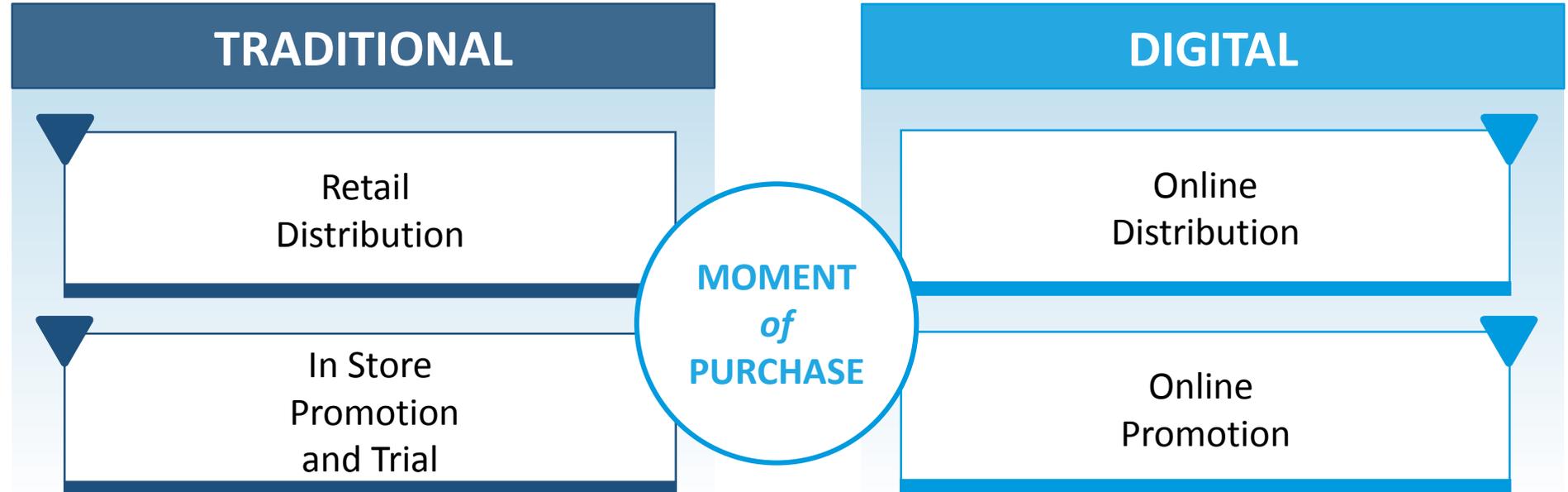
+96%
Search engine traffic YoY

#1 rank
blu key word search

#15 rank
(up from #40)
generic vape key word search



BUY – DISTRIBUTION, TRIAL AND PURCHASE





BUY - OMNICHANNEL



RETAIL



30%

Sales Value

Convenience, retention

VAPE SHOPS



41%

Sales Value

Education and Acquisition

ONLINE



29%

Sales Value

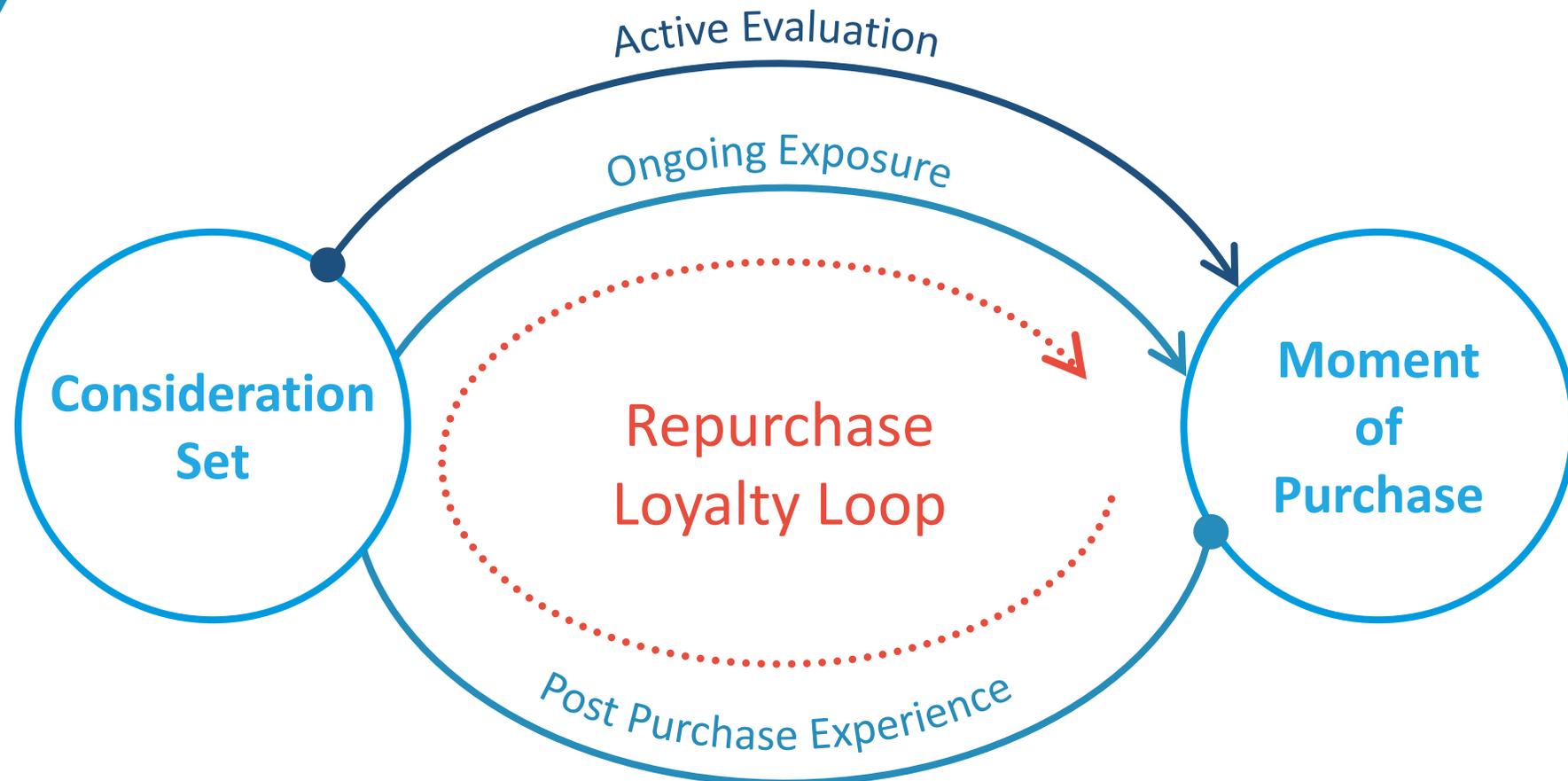
Acquisition and retention



BUY AGAIN – REPURCHASE, LIFETIME VALUE



Frictionless omnichannel experience





USA REPURCHASE RATE x2 IN 3 MONTHS



May '18



Jun '18



Jul '18



Aug '18



Future



What we've done

Email



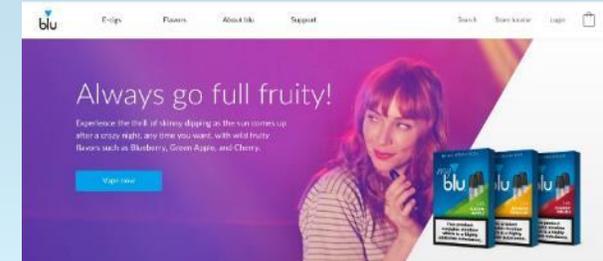
- / Repurchase **x2**
- / Conversion from **25 to 15** days

Retargeting



- / 4 x click through

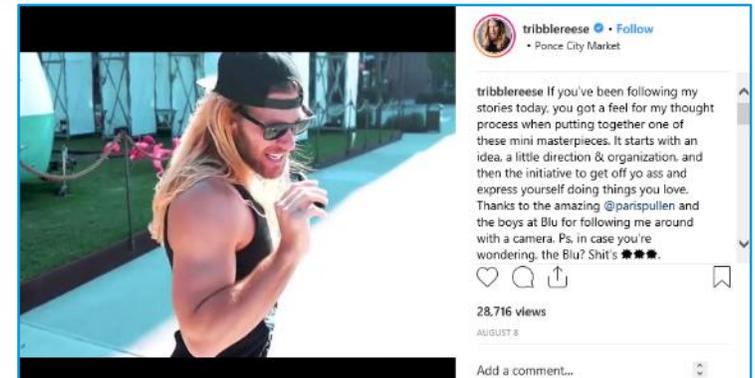
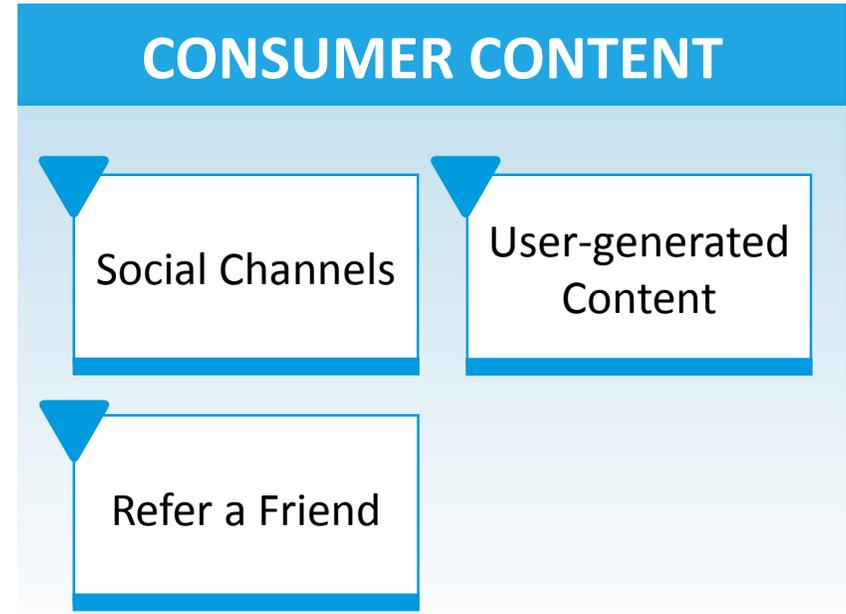
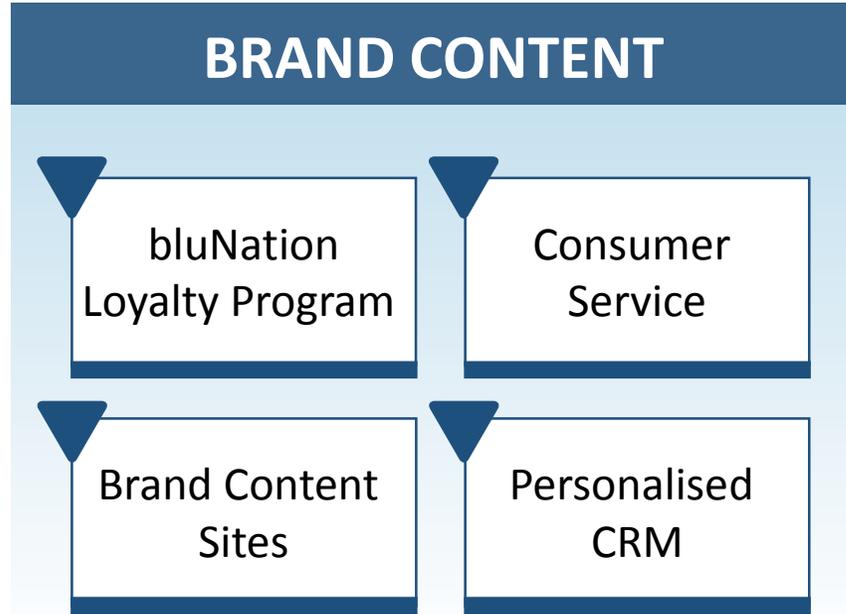
Onsite personalisation



- / Home banner click through +33%
- / Shop banner click through +22%

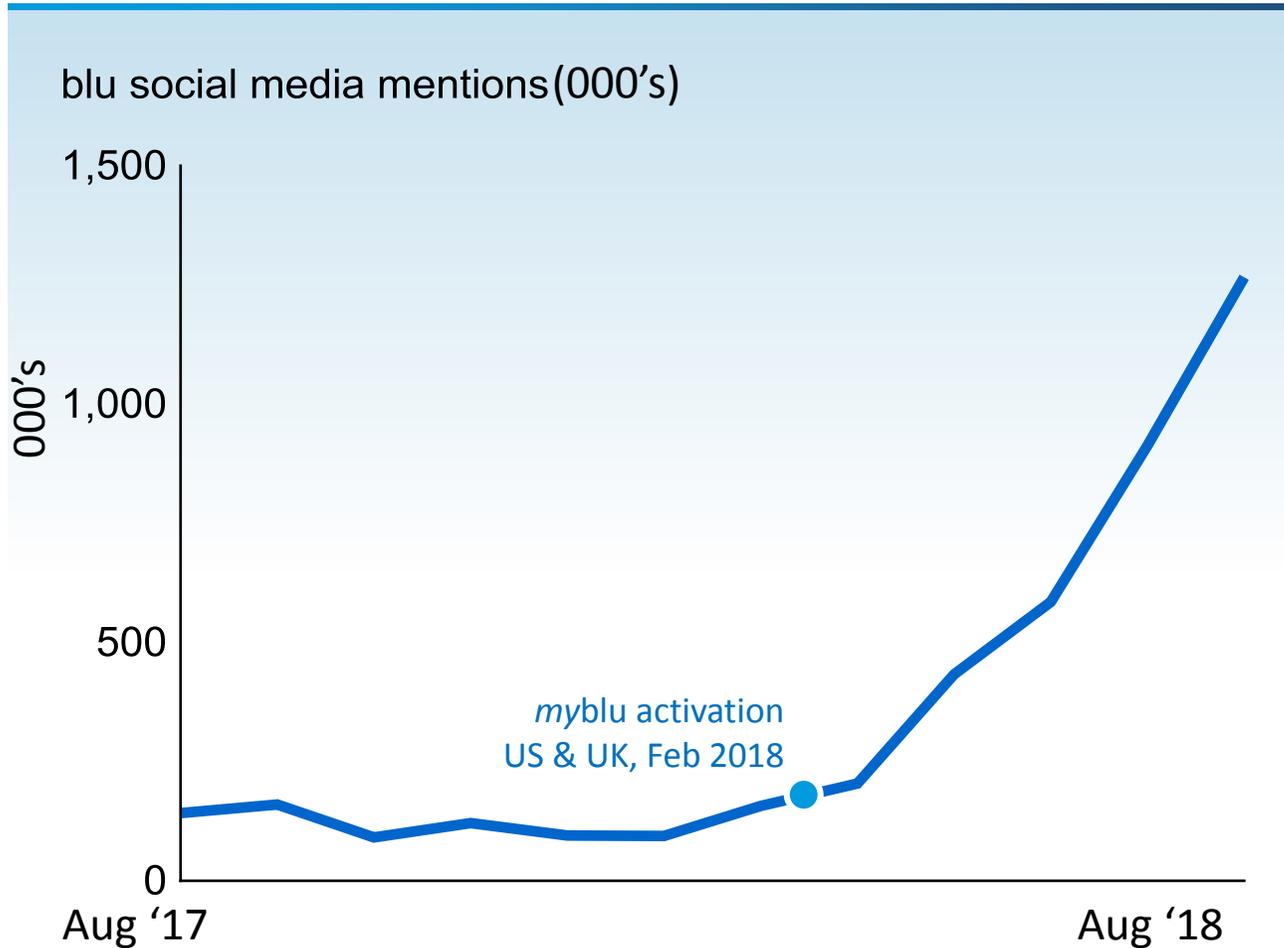


BELONG – LOYALTY, COMMUNITY, *myblu*





6x INCREASE IN SOCIAL MEDIA MENTIONS



Adult smoker focus

4.2m

Social media reach past 30 days

95%

Positive sentiment for blu
(vs. 80% for next biggest pod system)

4Bs SMOKER ADOPTION MODEL

BELIEVE

Building awareness,
consideration and trust

BUY

Stimulating trial and purchase

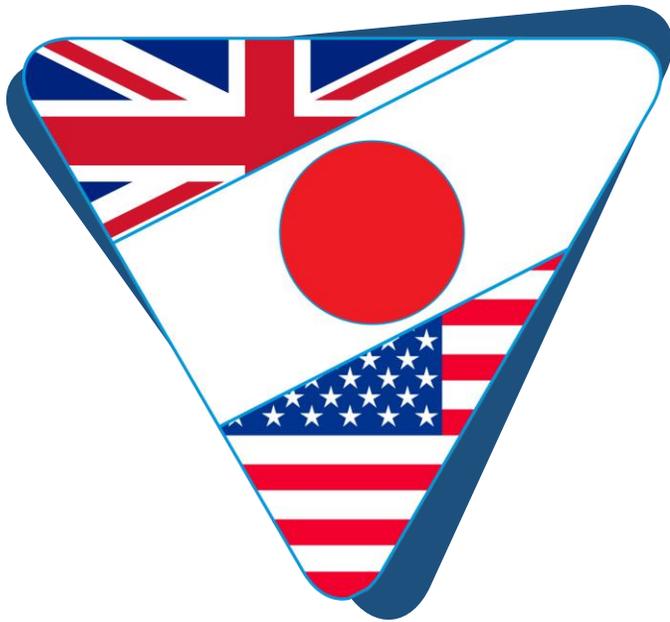
BUY
AGAIN

Creating repeat purchase

BELONG

Fostering loyalty through
community and belonging





Building blu:
UK, Japan & USA





Building blu in the UK



GROWING PREFERENCE FOR VAPING SUPPORTED BY POSITIVE PUBLIC HEALTH ENVIRONMENT

2018

Trend

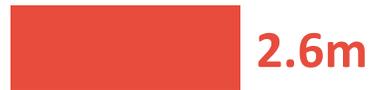


Public Health
England

Smokers



Dualists
(Tobacco & Vapour)



Vapour



Non-combustible
Tobacco



UK Nicotine
Consumers



32%
Vape + Dualists





LEVERAGING OUR STRENGTHS AND BUILDING NEW CAPABILITIES TO WIN

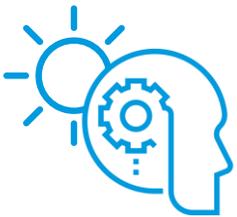
The brand smokers and vapers aspire to in their search for something better



A leading brand and innovation pipeline



Market leading Sales and Marketing operation



New capabilities for new opportunities





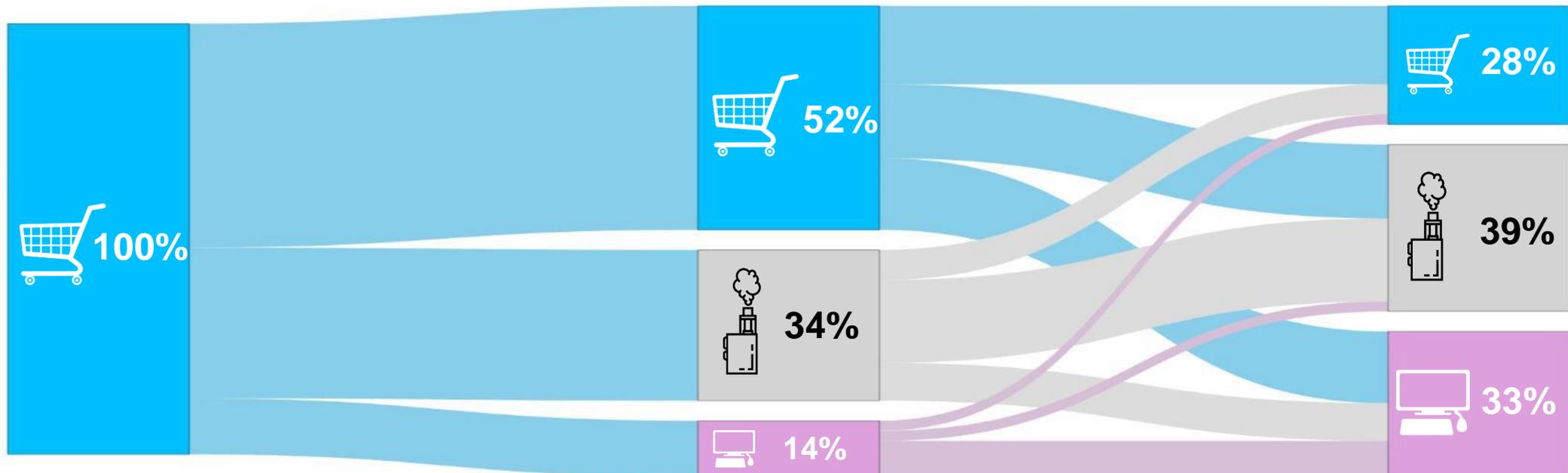
WHERE DO VAPERS BUY THEIR PRODUCT IN THE UK? TODAY'S CONSUMER JOURNEY



Smokers Purchase Channel

First Purchase

Latest Purchase





SHAPING THE FUTURE CONSUMER JOURNEY



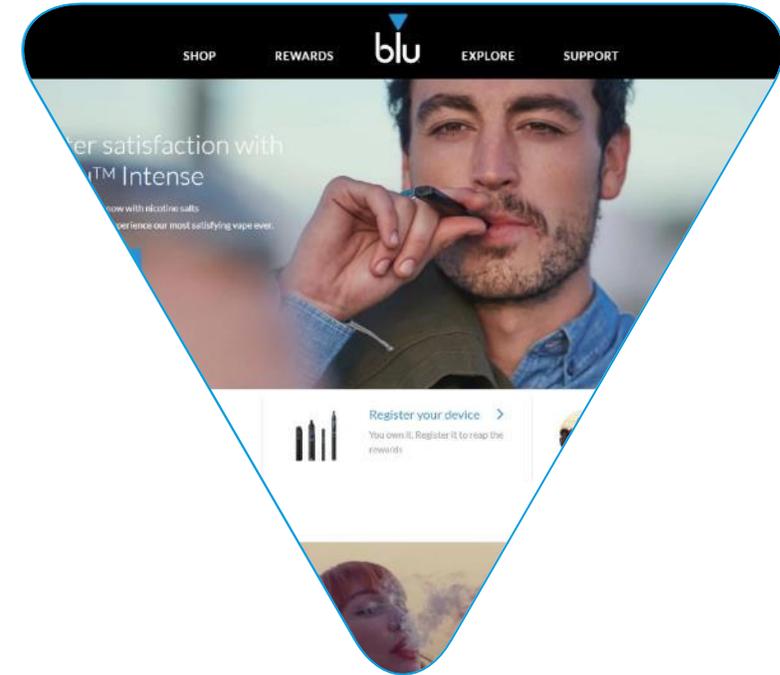
Retail



Vape Shops



Online





SHAPING THE FUTURE CONSUMER JOURNEY



£128m Sales value

25% Sales value



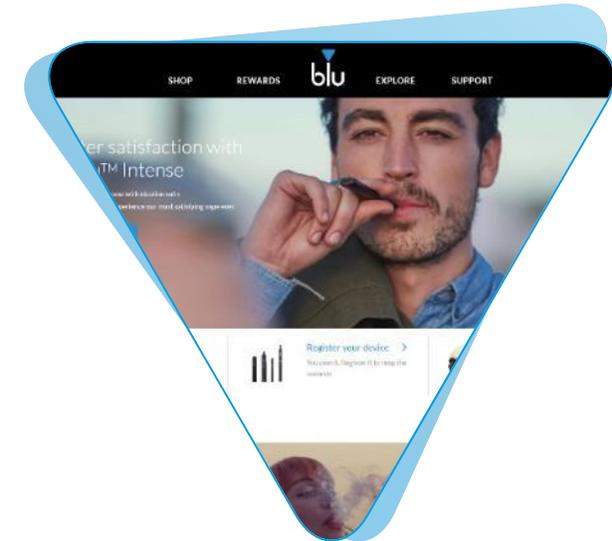
£229m Sales value

45% Sales value



£153m Sales value

30% Sales value





BUILDING MOMENTUM IN FY18

BELIEVE

Building awareness through ATL, Brand Ambassadors and Social Media

BUY

Driving consideration and trial through impact at Point of Sale

BUY AGAIN

Securing repeat purchase through omnipresence and tailored engagement

BELONG

Welcoming consumers in our online community with bluNation



BELIEVE

BUILDING BELIEF THROUGH AN INTEGRATED CITY BY CITY CAMPAIGN building **blu**



Manchester
London
Bristol
Leeds
Glasgow
Cardiff



BELIEVE

BUILDING BELIEF THROUGH AN INTEGRATED CITY BY CITY CAMPAIGN building **blu**

Building Awareness



Trial Through Device In Hand



Exploring Full Range





GROWING POS IMPACT WITH KEY PARTNERS





GROWING POS IMPACT WITH KEY PARTNERS

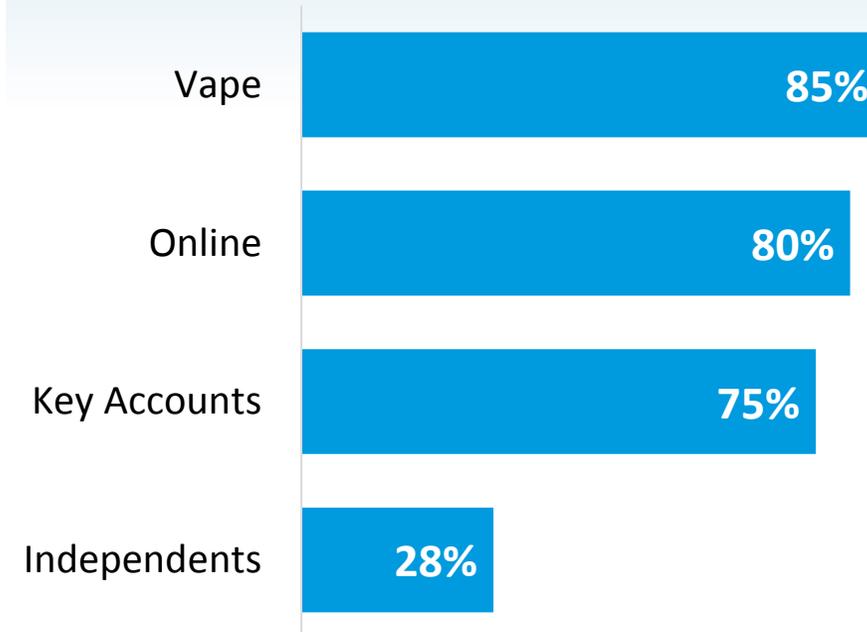


Impact at Point of Sale



Prioritising Relevant Distribution

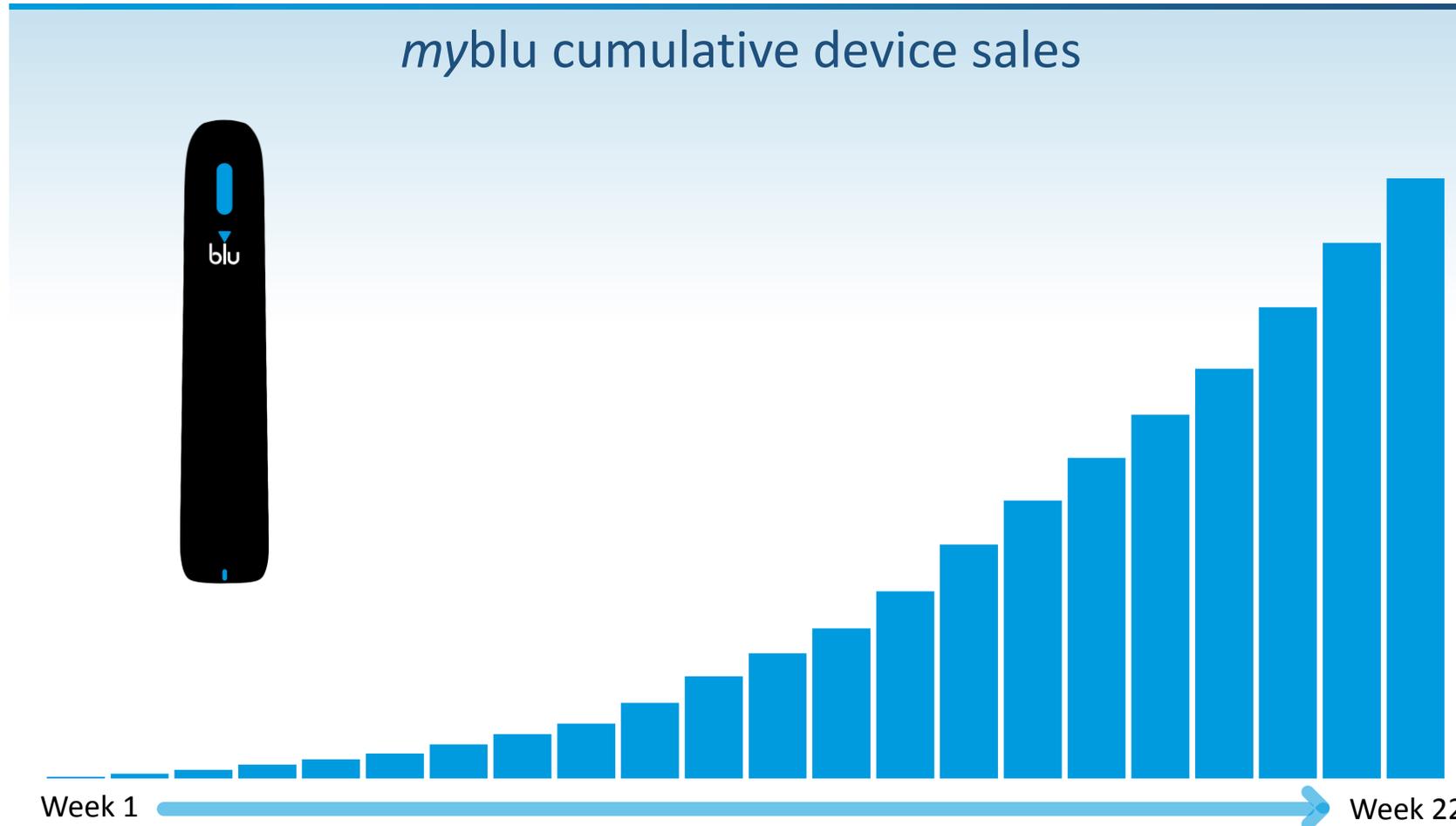
myblu Distribution by Channel



■ End 2018



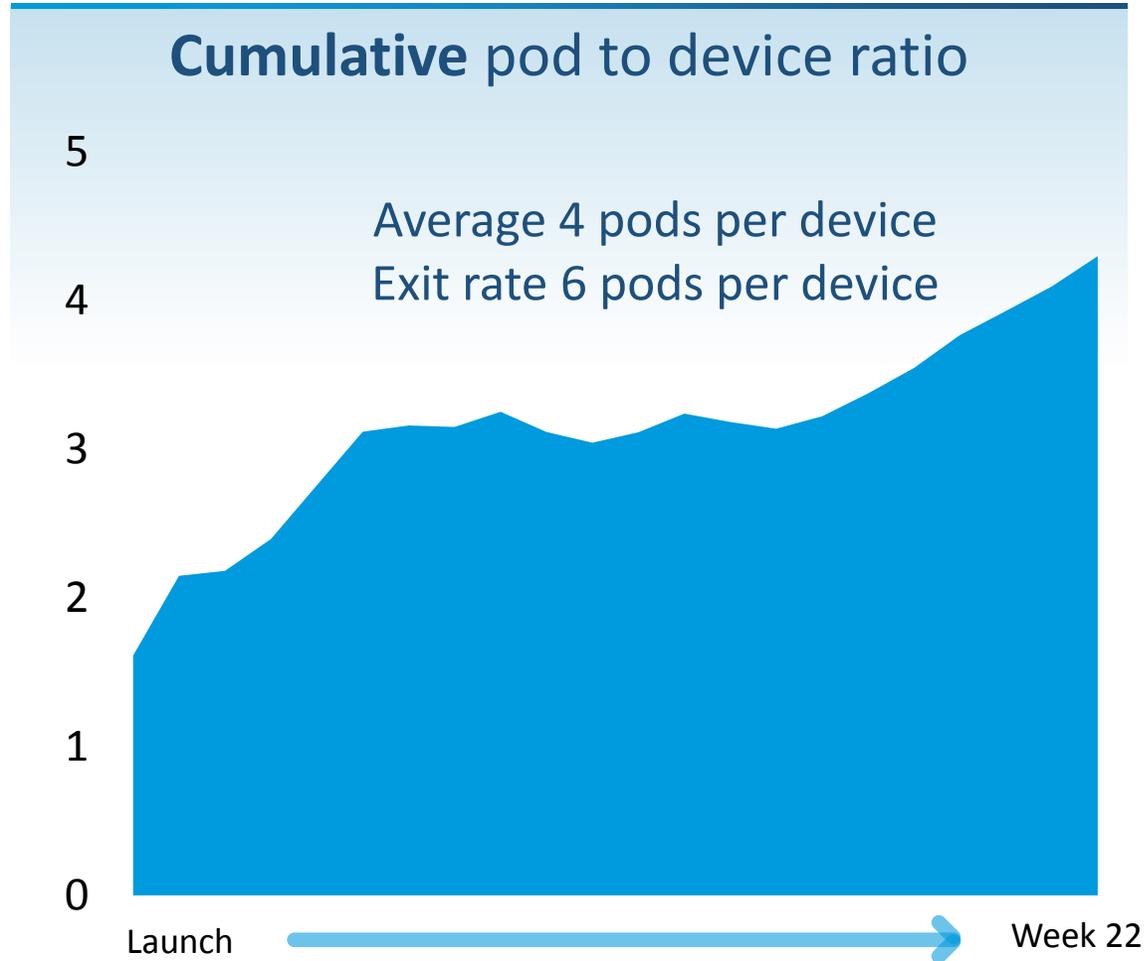
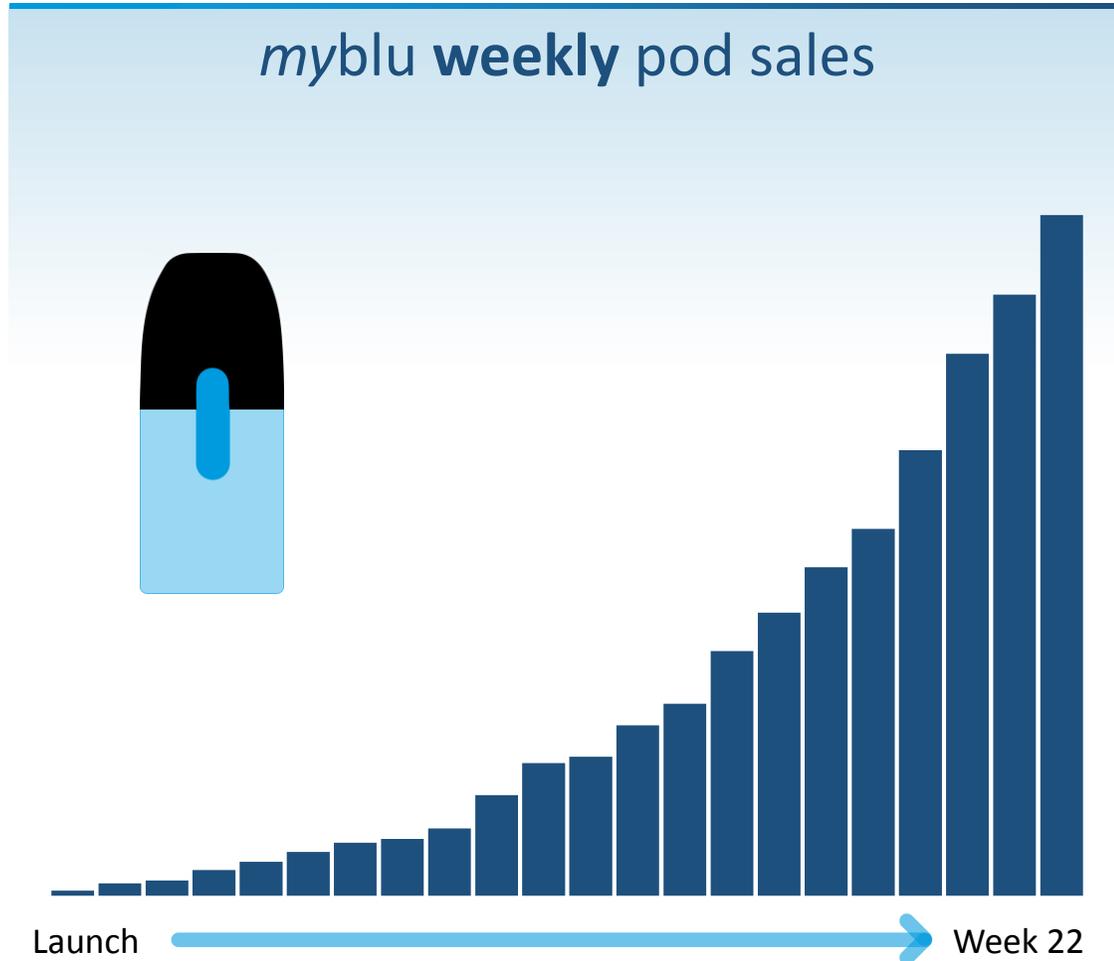
STRONG ORGANIC SALES – DEMONSTRATING CONSUMER REACH



Exit weekly devices sold 3x average for period



STRONG ORGANIC SALES – DEMONSTRATING REPEAT PURCHASE

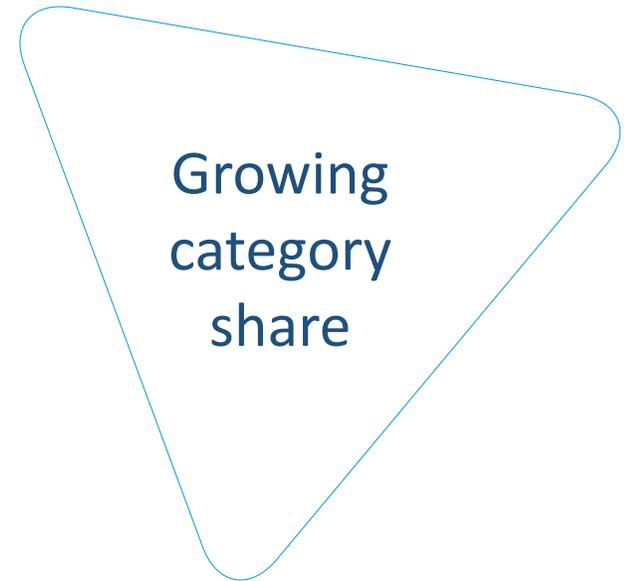
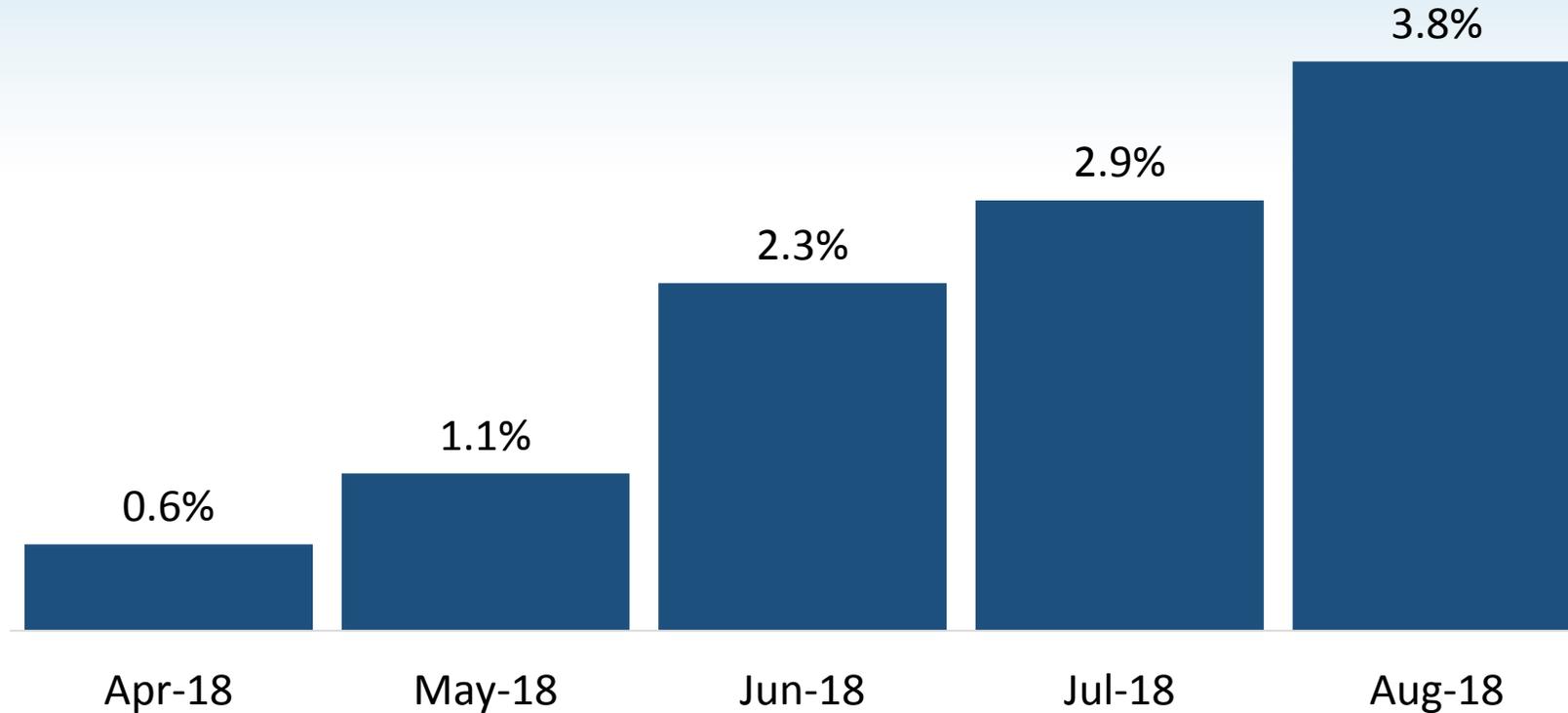




GROWING CONSUMER LOYALTY & RETAIL SHARE



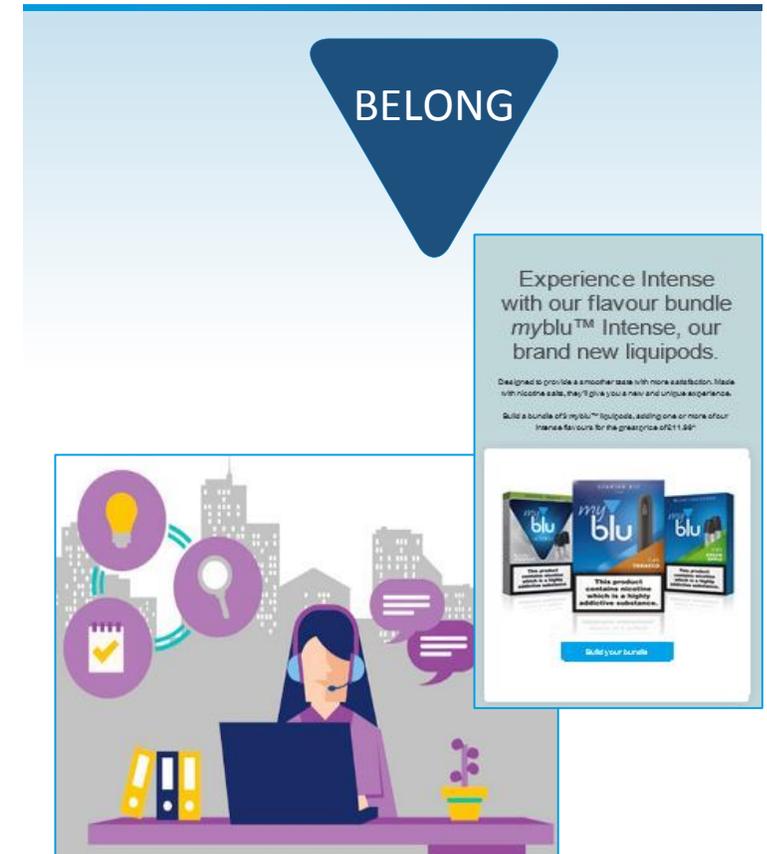
myblu share of retail sales value



ACCELERATING INTO FY19



The brand smokers and vapers aspire to in their search for something better





Building blu in Japan



CREATING THE VAPE CATEGORY IN JAPAN



Relevant to Japanese Smokers



Strong Retail Partnerships



Extensive Activation





CREATING THE VAPE CATEGORY IN JAPAN



Relevant to Japanese Smokers

- / Addressing smoker needs
- / Menthol & fruit flavours



Strong Retail Partnerships

- / Convenience channel focus
- / Category captaincy



Extensive Activation

- / Widespread ATL media
- / Activation campaign





STRONG GROWTH OPPORTUNITY

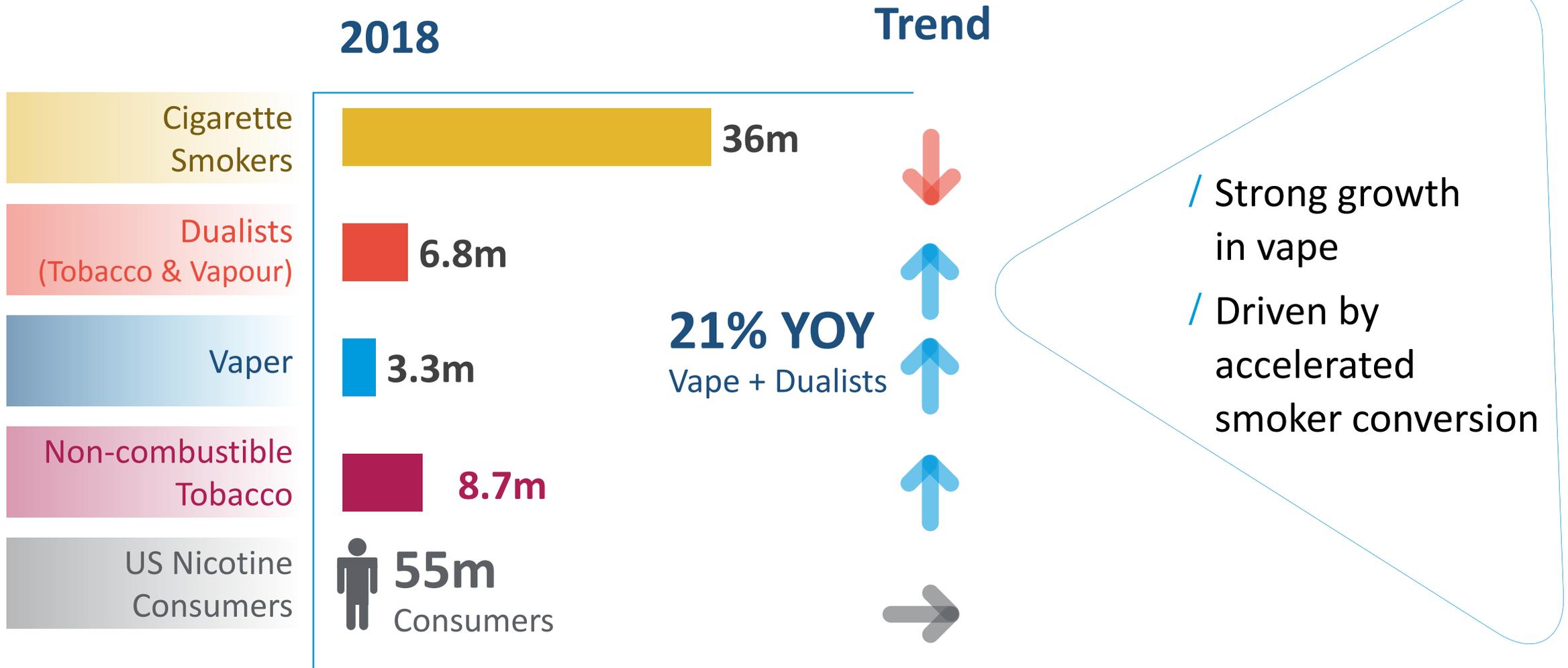


6% of the smoking population in Fukuoka bought *myblu* starter kit in the first 90 days



Building blu in the USA

LARGEST VAPE MARKET... AND GROWING



TRUE OMNICHANNEL MARKET



Retail

£2.8Bn Sales value

55% Sales value

100% Growth YoY



Convenience, retention channel



Vape Shops

£1.5Bn Sales value

29% Sales value

10% Growth YoY



Education and acquisition



Online

£0.8Bn Sales value

16% Sales value

30% Growth YoY



DIRECT VAPOR
HUGE SELECTION • LOW PRICES



Acquisition and retention

BUILDING blu USA



Building a Lifestyle Brand



Since 2009 (US)

Satisfaction Focused Portfolio



Maximising Availability



BRAND LIFESTYLE ACTIVATION MODEL

BELIEVE

Building consideration: content generation and media coverage

BUY

Driving trial and consideration multi-platforms

BUY AGAIN

Repeat purchase online: blu.com & e-tailers

BELONG

Social media & influencers





BUILDING AWARENESS: MEDIA & EVENTS

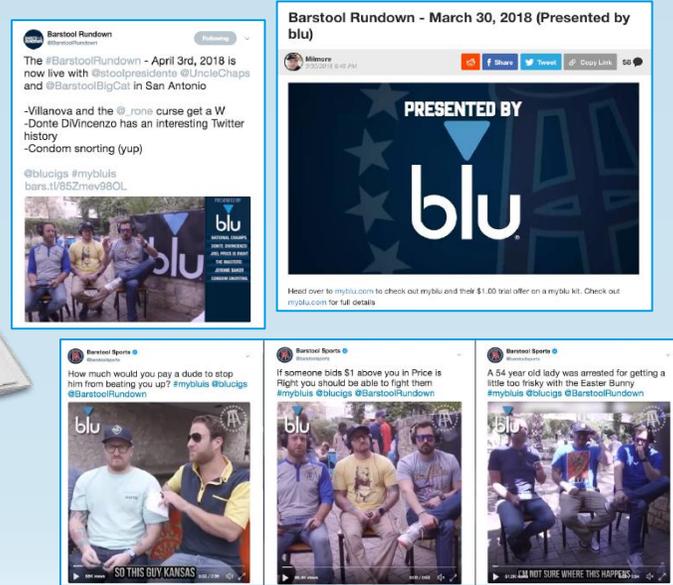


Strengthening awareness to drive engagement

Media



Media Partnerships



National Events



FORECASTLE

MUSIC • ART • ACTIVISM





DRIVING PRODUCT TRIAL



Getting *myblu* into smokers hands

myblu Trial Promotions

LIMITED TIME OFFER

Any INTENSE Liquidpod
+ myblu™ Starter Kit

FOR **\$9.99** plus tax



myblu
INTENSE
Designed for smokers.

NOT FOR SALE TO MINORS. ©2018 Frontier.

WARNING: This product contains nicotine. Nicotine is an addictive chemical.

NEW myblu™
Starter Kit

\$1 TRIAL OFFER
LIMITED TIME ONLY



myblu

NOT FOR SALE TO MINORS. WARNING: This product contains nicotine derived from tobacco. Nicotine is an addictive chemical. ©2018 Frontier.

Vape Engagement



E-tailers



DIRECT VAPOR
HUGE SELECTION • LOW PRICES

BRANDS ▾ WHAT'S NEW ▾ E-LIQUIDS ▾ PREMIUM MODS ▾ STARTER KITS ▾ TANKS & ROAS ▾ DRY HERB

SAVE 10% TODAY when you set up your First Auto

Home > Starter Kits > myblu™ Intense Starter Kit Bundle



myblu™ Intense Starter Kit

blu
No Clone Zone

★★★★★ 3 Reviews | Add Your Review

Price ~~\$29.98~~ **\$9.99**
Includes Free Shipping

*Flavor
Choose option...

*Strength **2**
Strength



BUY

TRIAL: LOCAL IMPACT MARKETING



8 cities - 72,000 smoker engagements





OMNICHANNEL APPROACH

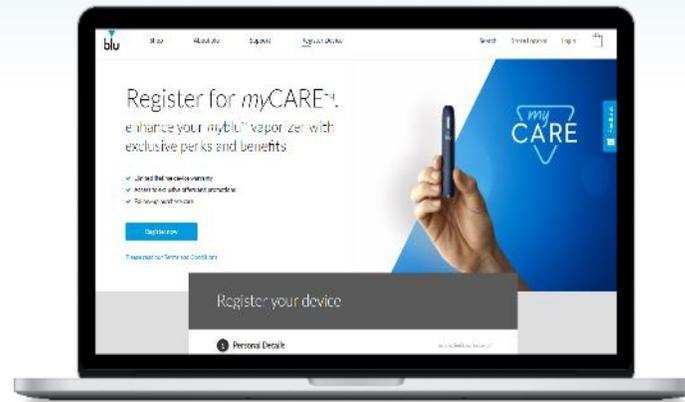


Creating a frictionless repurchase environment for blu users

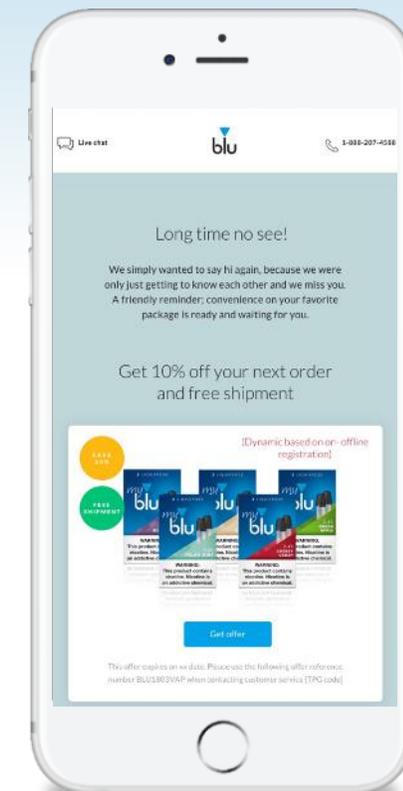
Retail / Vape Visibility



myCare: Best Warranty Platform



E-CRM



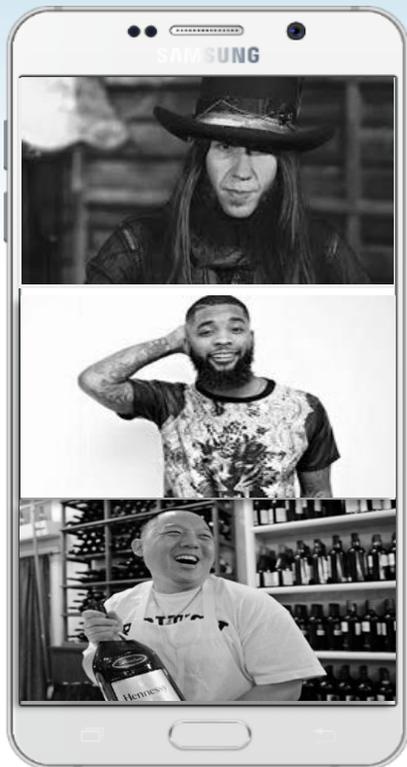


CREATE THE blu COMMUNITY



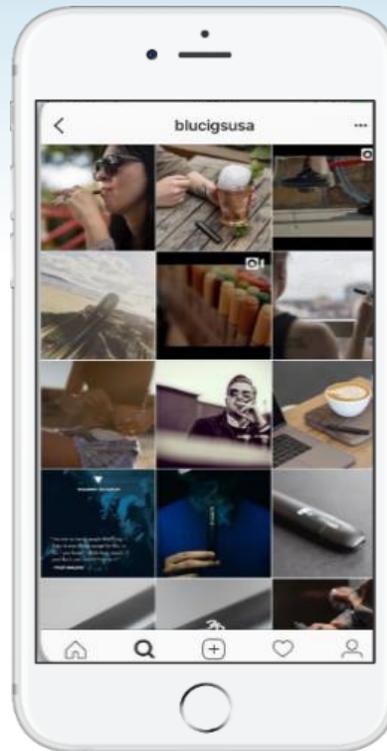
User generated content and owned platform

Influencers



Influencing smoker conversion

Social Media



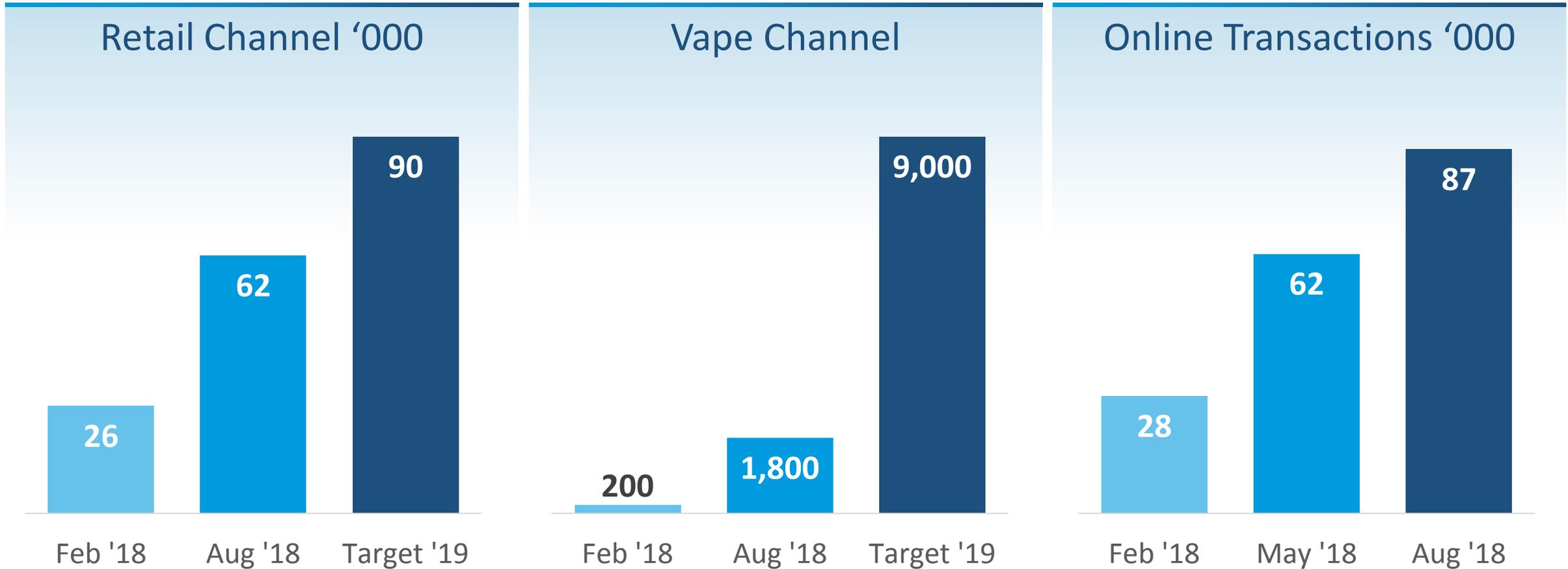
>103% increase in followers

Content Hub



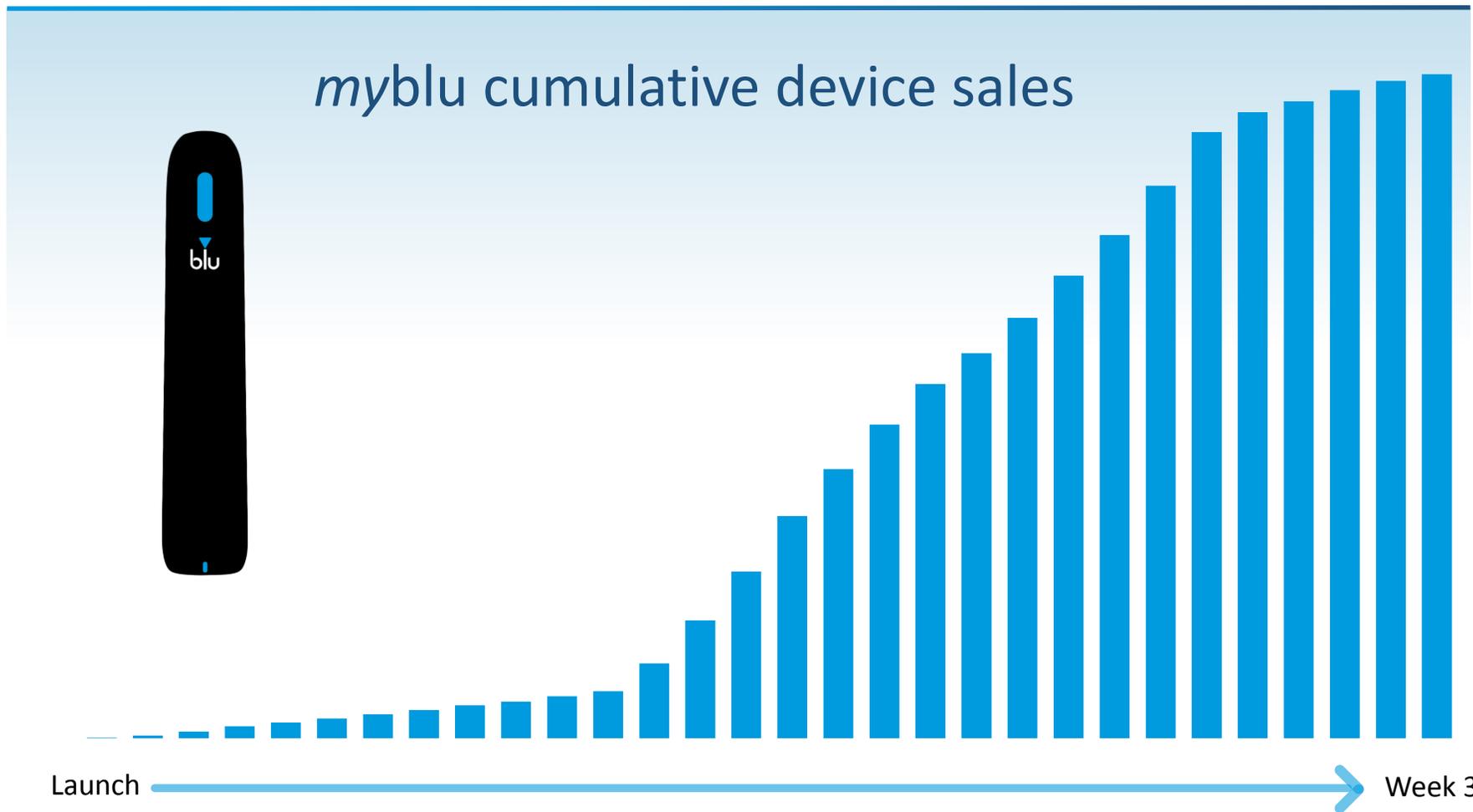
>80k unique visitors

GROWING OMICHANNEL DISTRIBUTION FOR *myblu*





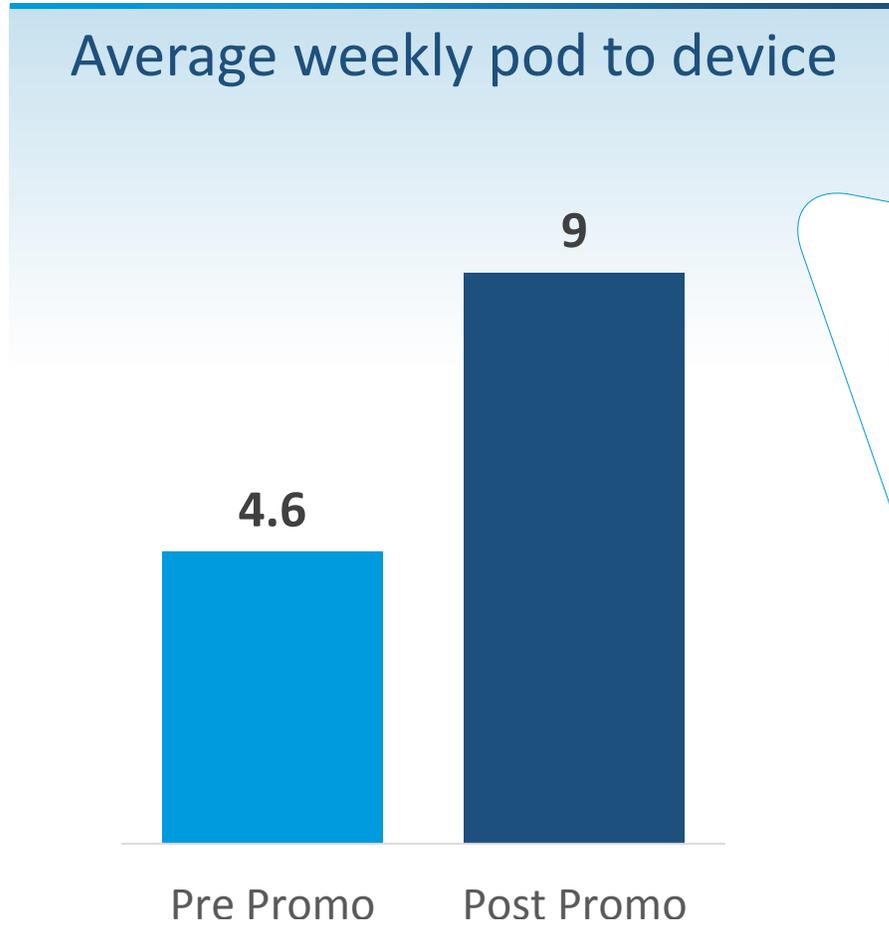
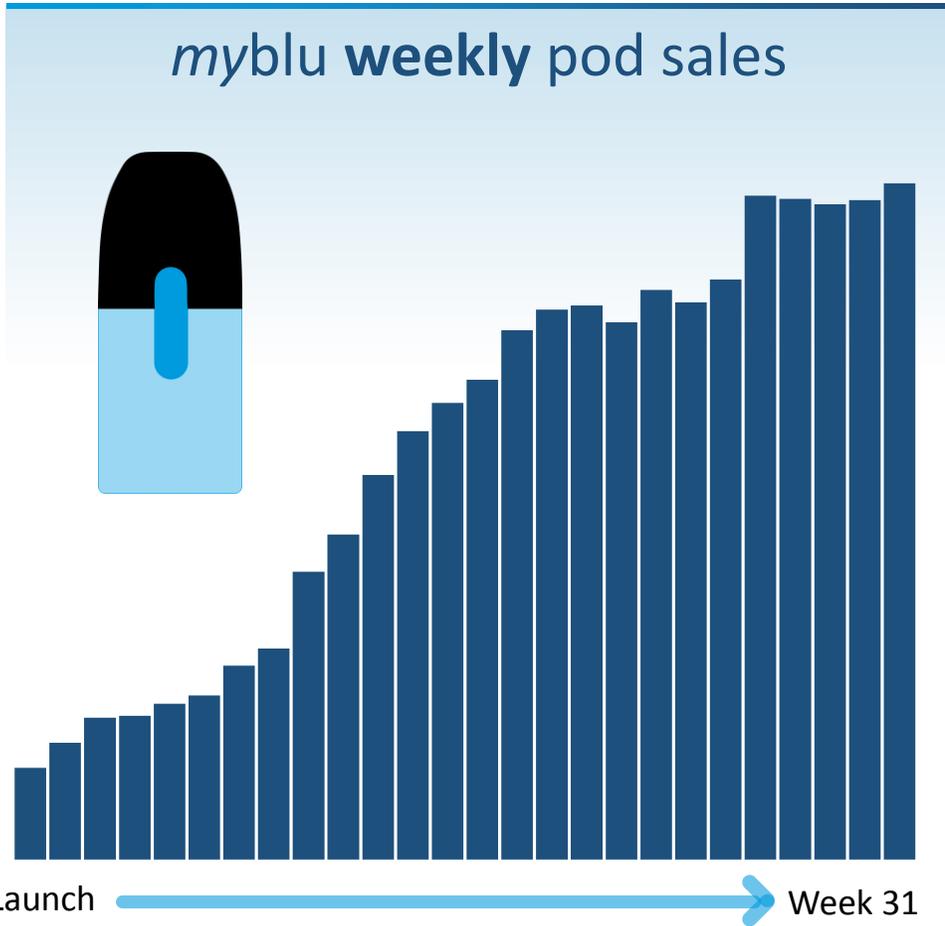
STRONG ORGANIC SALES



Exit weekly devices sold 3x pre promo average



STRONG ORGANIC SALES



Doubling of pod per device ratio

STEP UP IN FY18; ACCELERATING IN FY19



Focus on best experience for smokers

From a brand at the heart of everything we do

In a completely frictionless purchase environment





building
blu

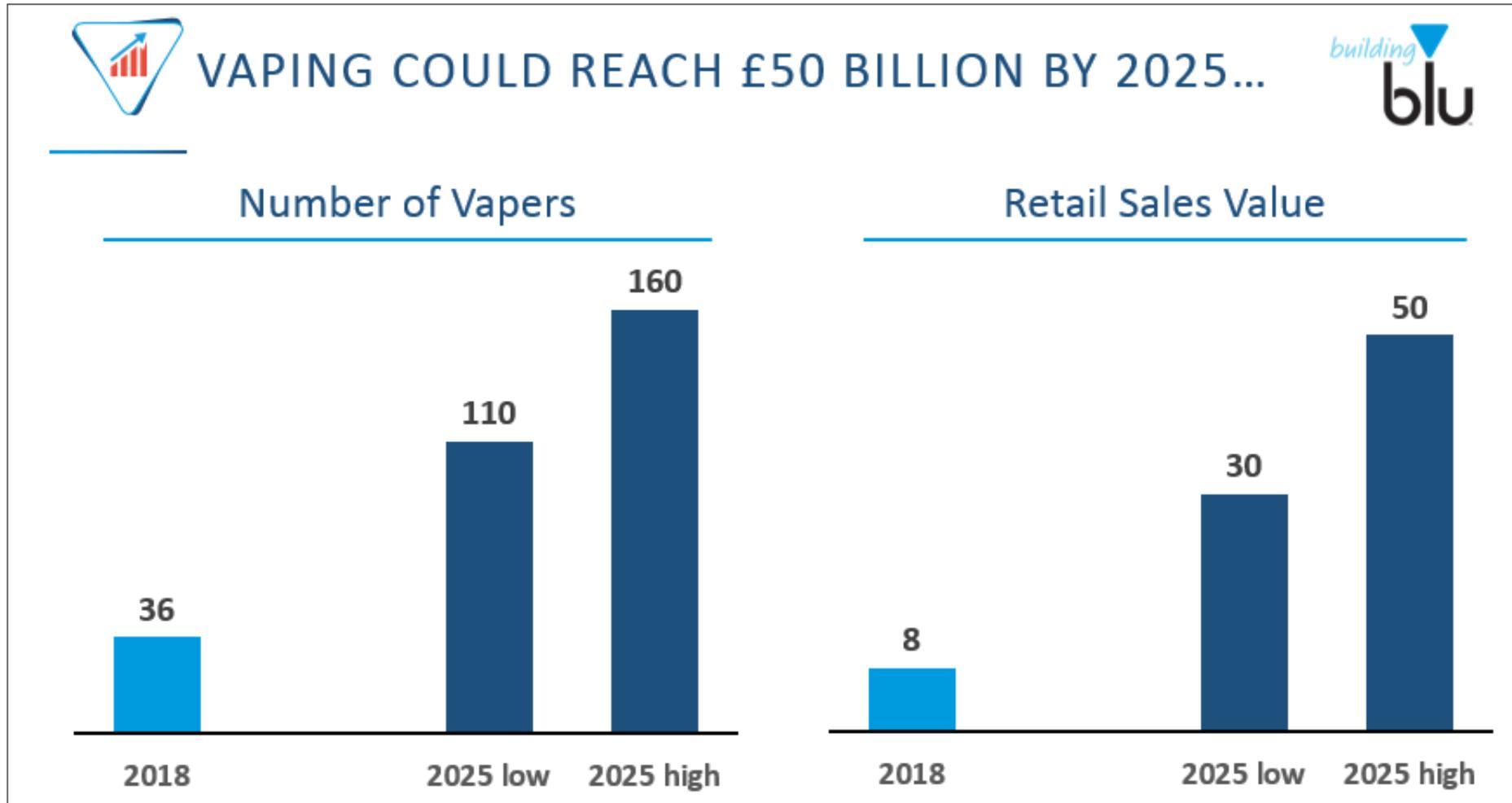
building
blu

DELIVERING RETURNS

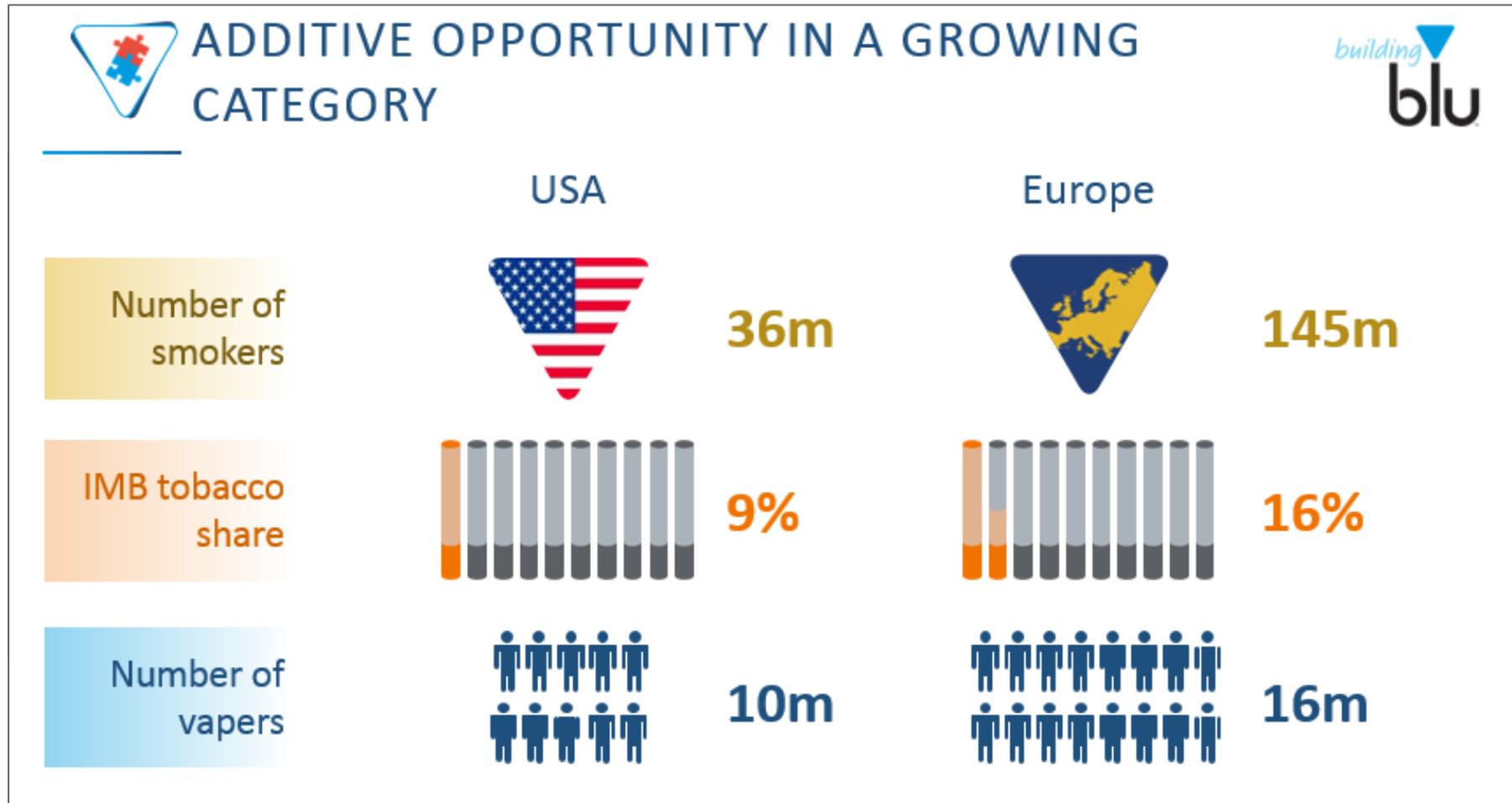
- / Additive opportunity in a growing category
- / Clear levers to drive profitability
- / Delivering shareholder value



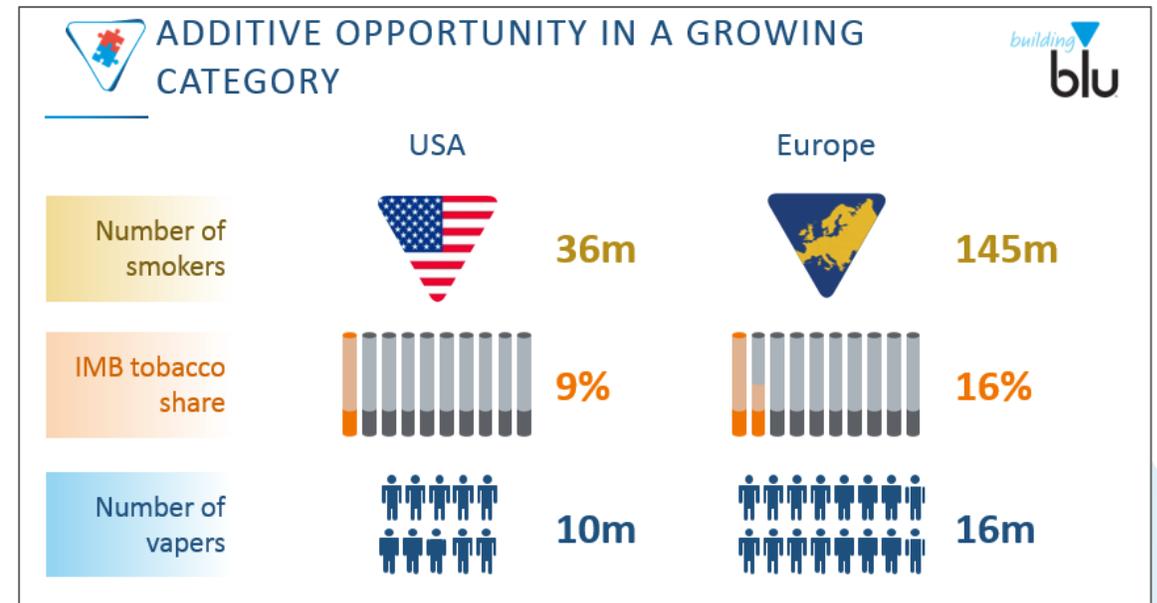
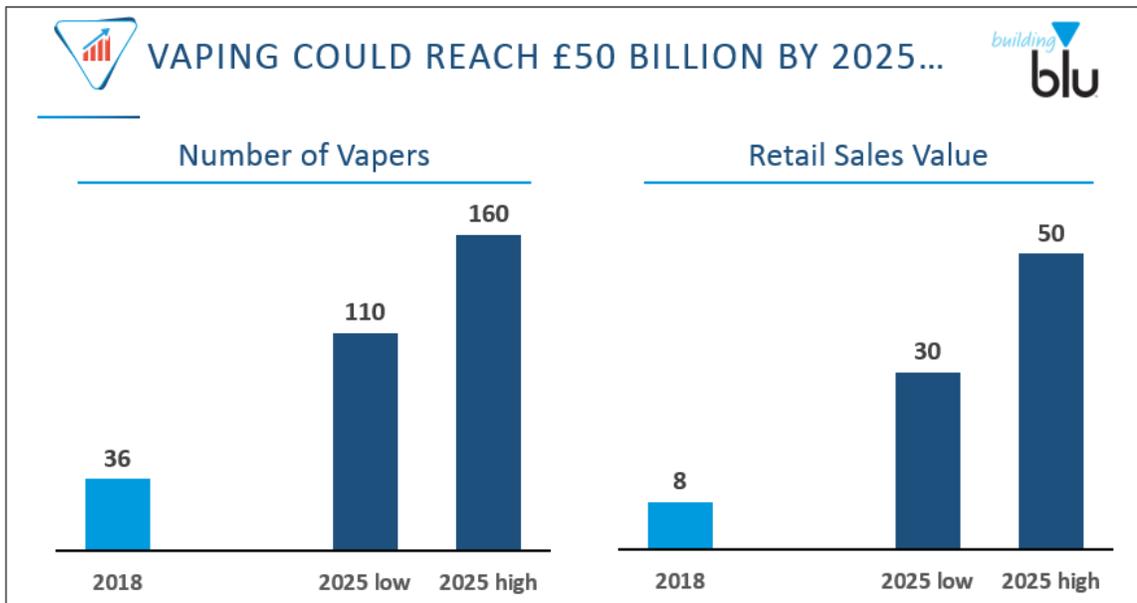
ADDITIVE OPPORTUNITY IN A GROWING CATEGORY



ADDITIVE OPPORTUNITY IN A GROWING CATEGORY



ADDITIVE OPPORTUNITY IN A GROWING CATEGORY

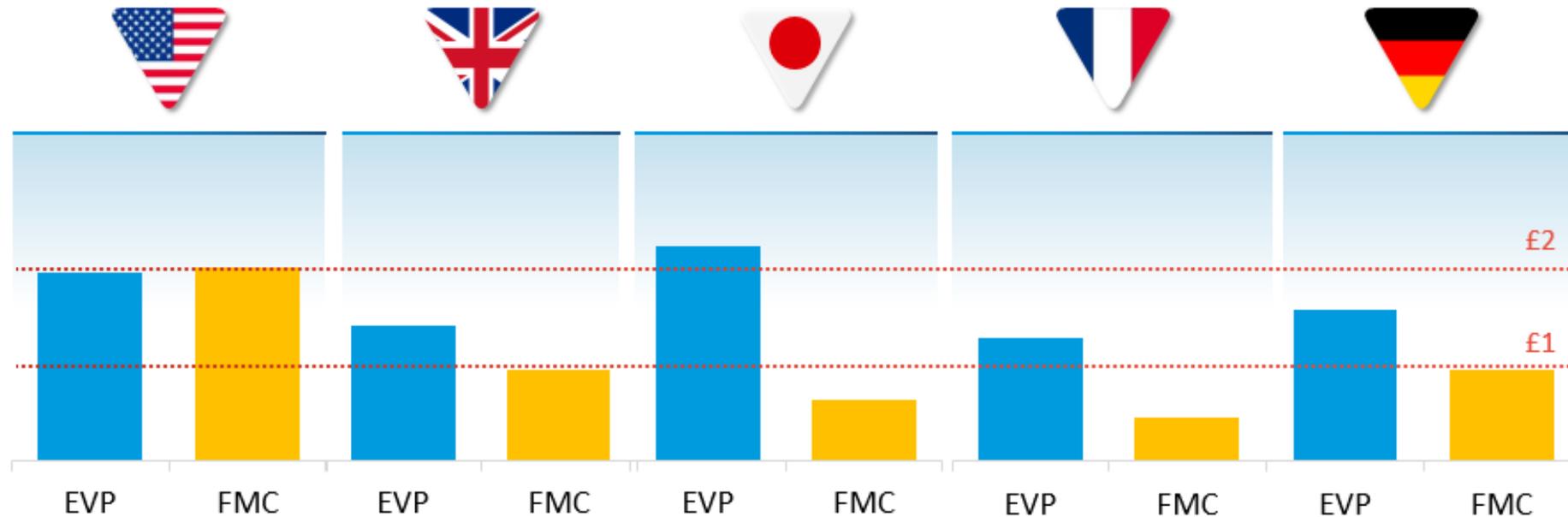


ADDITIVE OPPORTUNITY IN A GROWING CATEGORY



POSITIVE ECONOMICS

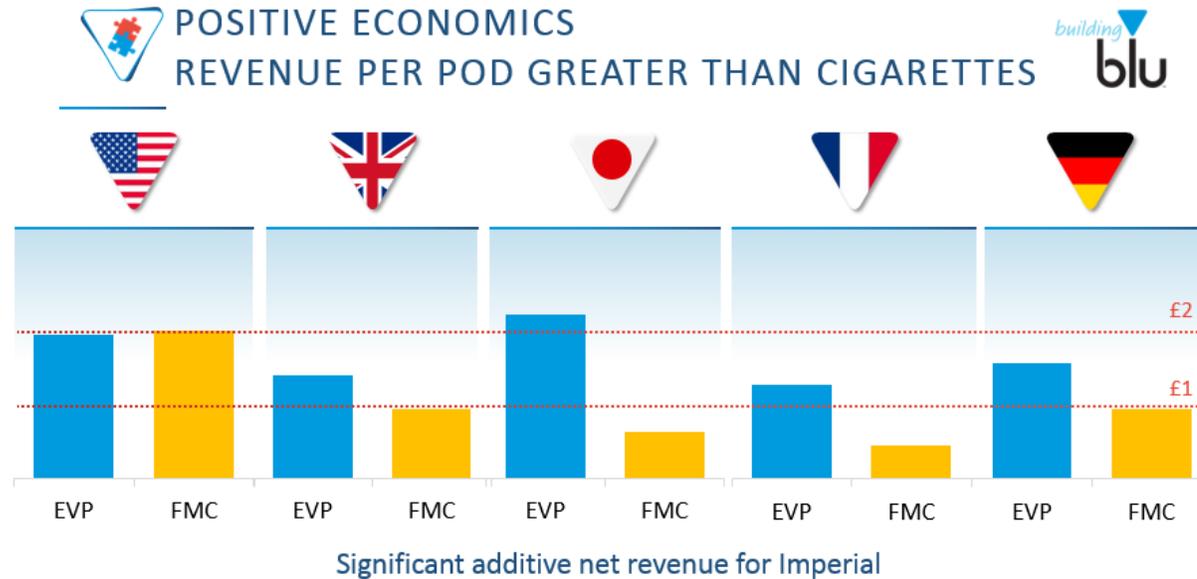
REVENUE PER POD GREATER THAN CIGARETTES



Significant additive net revenue for Imperial

24 Based on net revenue per pod (1.5ml) versus pack of 20 FMC

ADDITIVE OPPORTUNITY IN A GROWING CATEGORY



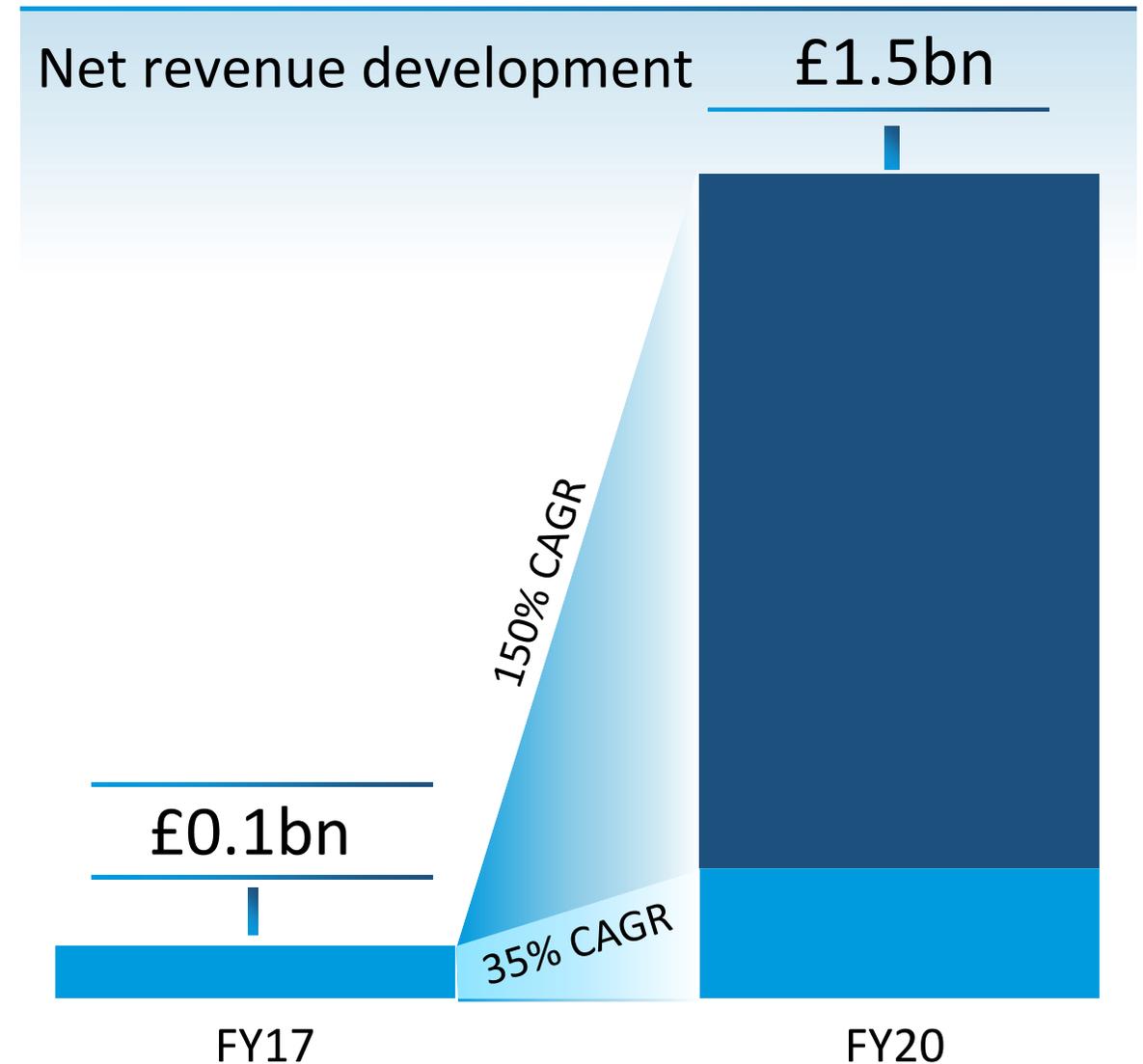
24  Based on net revenue per pod (£1.5m) versus pack of 20 FMC

- / Revenue per pod is higher than cigarettes
- / At a lower retail price
- / Additive revenue from converting smokers

ADDITIVE OPPORTUNITY IN A GROWING CATEGORY



- / Reflected in Feb 2018 LTIP
- / FY18 annualised exit rate of £0.3bn revenue
- / Significant revenue ambition



ADDITIVE OPPORTUNITY IN A GROWING CATEGORY

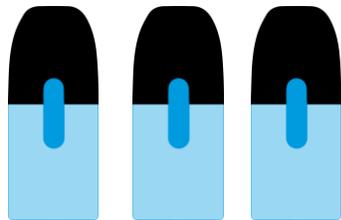


FY20 LTIP ambition

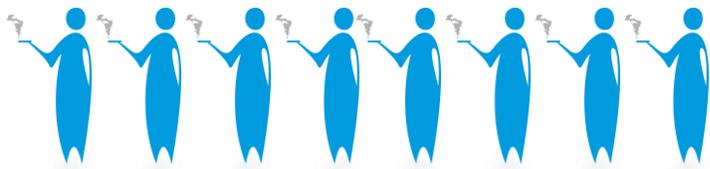
£1.5bn net revenue



£1.70 - £2.00 avg. net revenue per pod



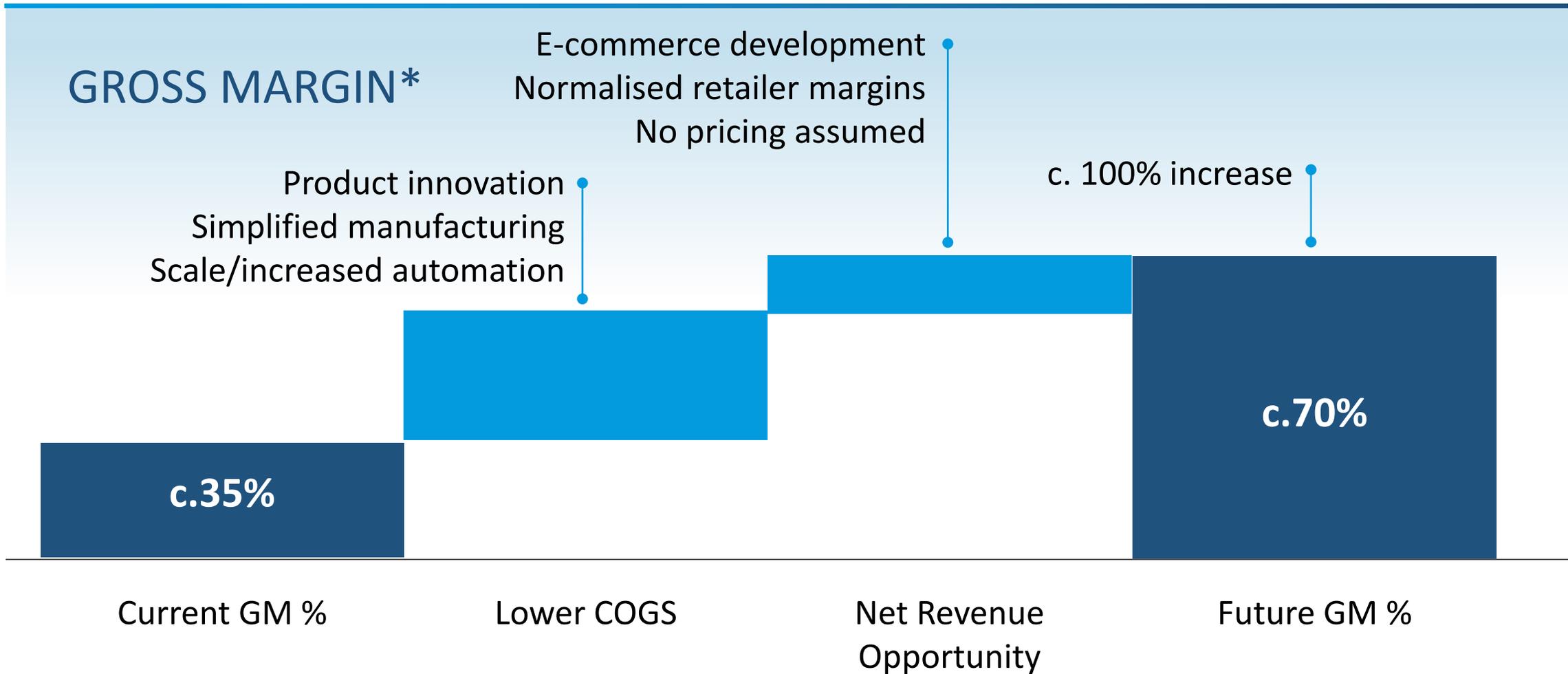
2-3 avg. pods per week
(mix of dualists & soloists)



5-8m blu consumers



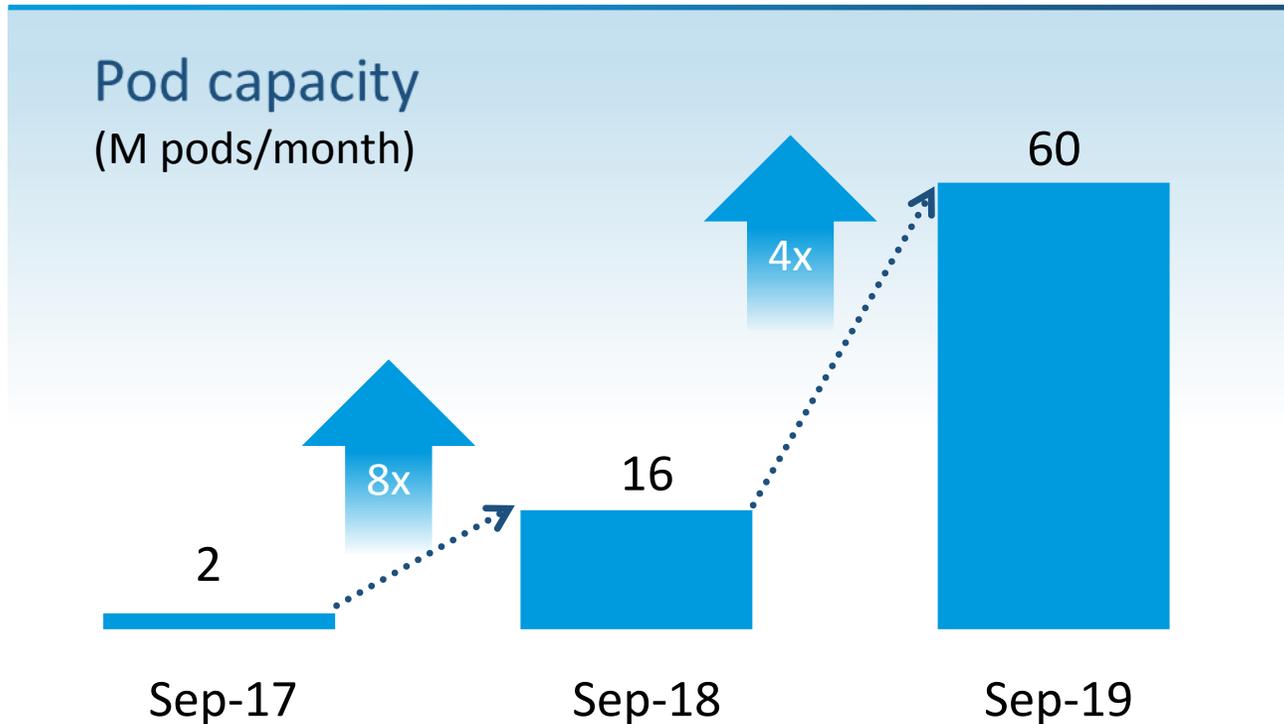
CLEAR LEVERS TO DRIVE PROFITABILITY



* GM analysis of *myblu* pods

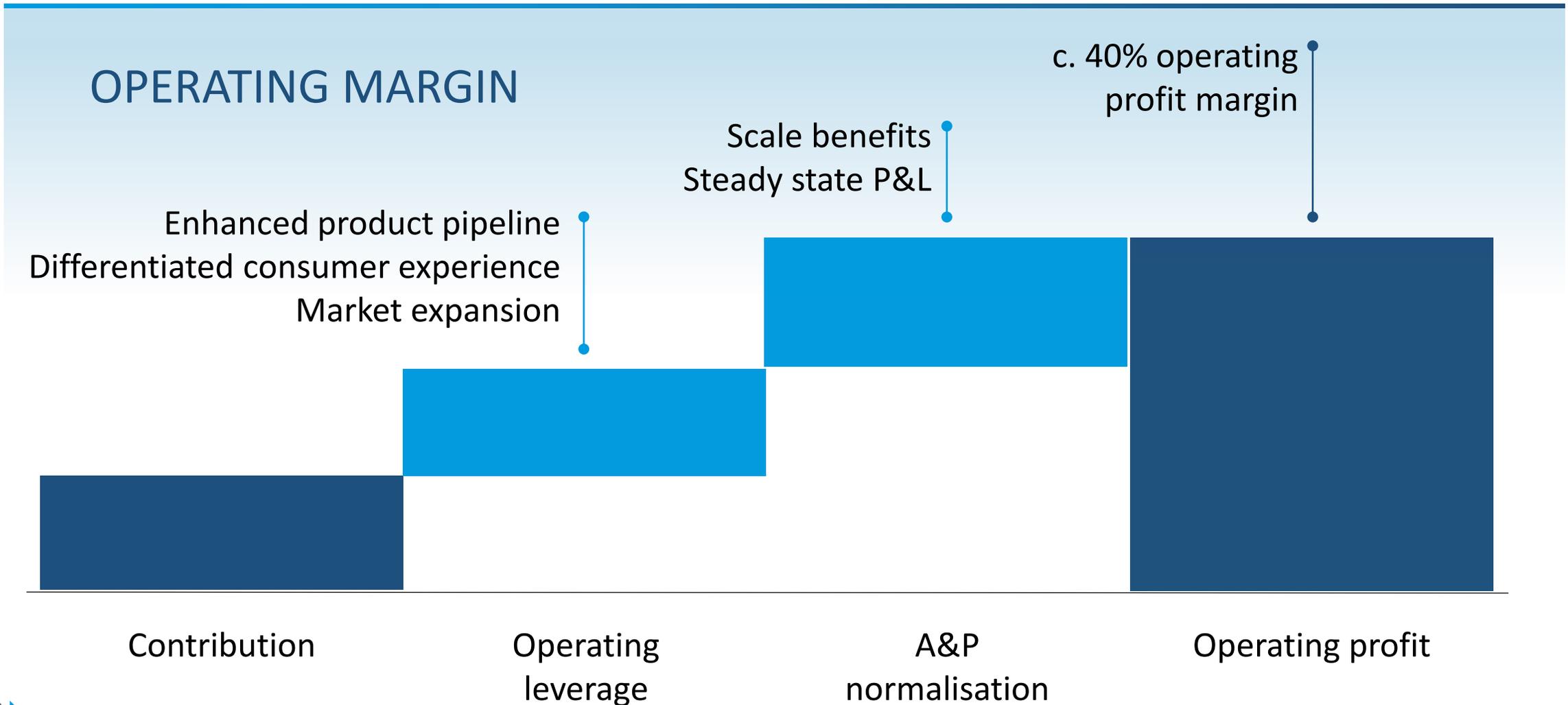
CLEAR LEVERS TO DRIVE PROFITABILITY

RAPIDLY SCALING MANUFACTURING CAPACITY



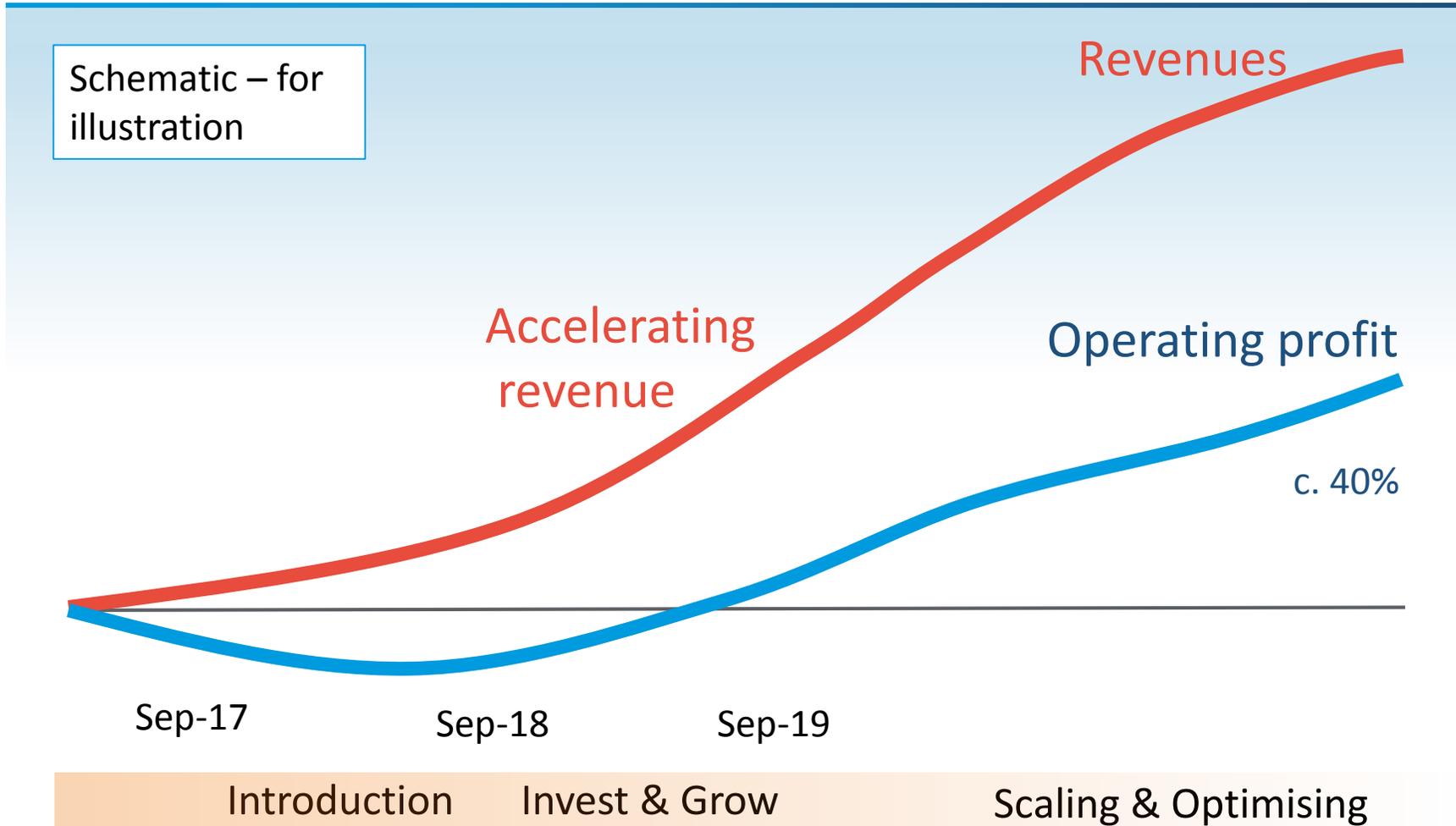
- / Outsourced manufacturing
- / Capital light model
- / Supports innovation
- / Scalable and agile
- / Capacities available to meet our ambitions

CLEAR LEVERS TO DRIVE PROFITABILITY



DELIVERING SHAREHOLDER VALUE

BLU FINANCIAL DEVELOPMENT



Additive opportunity:

/ Significant revenue upside

/ Short term margin dilution

/ Accretive to EPS from FY19 exit

DELIVERING RETURNS

Delivering Sustainable Shareholder Returns

Significant Additive
Growth



Scalable and Capital
Light



Cash and Returns
Focused





Significant
Additive
Opportunity

Delivering
Returns

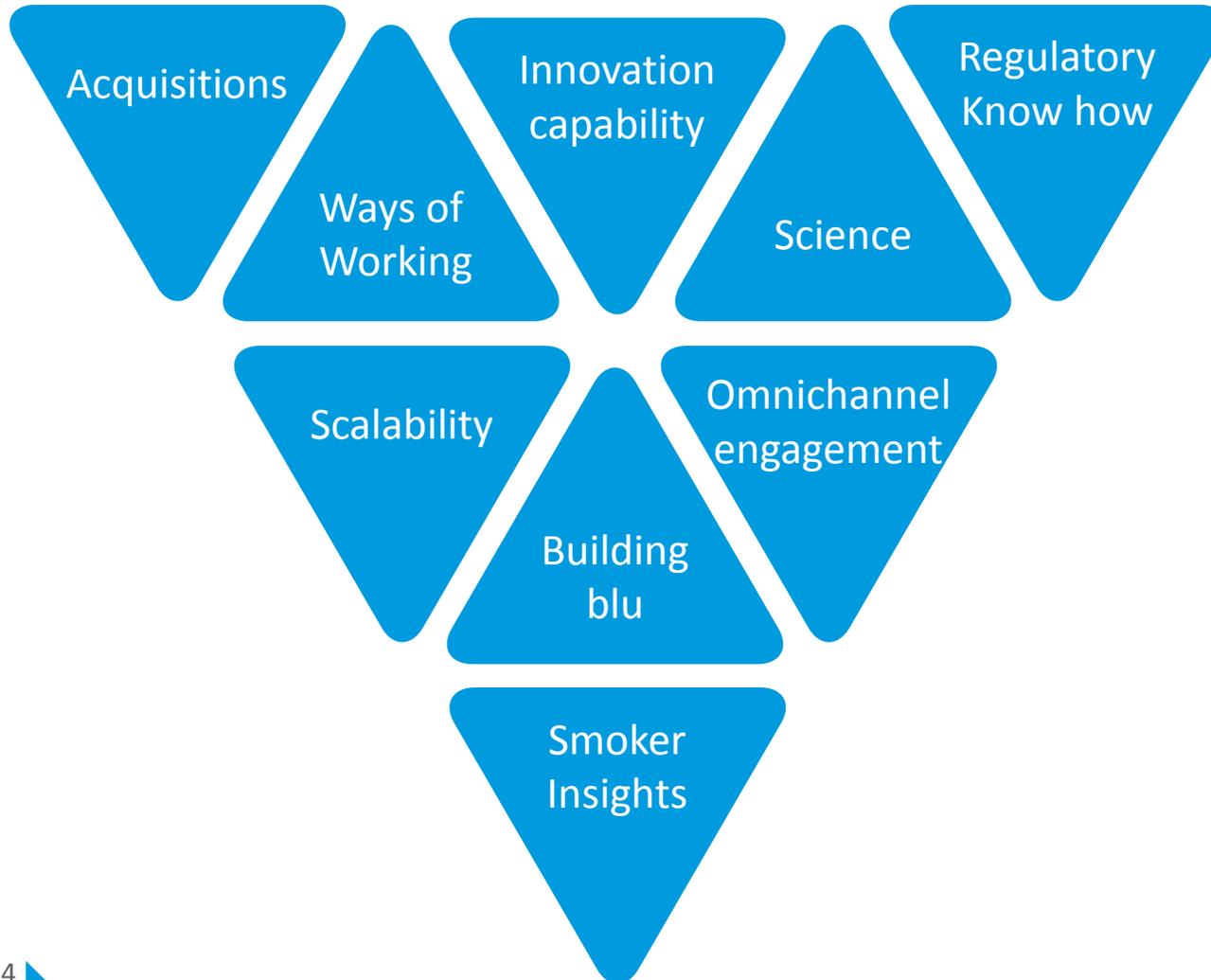
Compelling
Proposition

Winning
Execution

building 
blu™

SOLVING FOR THE SMOKER

SOLVING FOR SHAREHOLDER RETURNS





THANK YOU