



Deutsche Bank Global Consumer Conference

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Maximise sustainable shareholder returns

Tobacco Maximisation and NGP Growth

Strengthen Portfolio right brands

- Radically simplify
- Invest in Asset Brands
- Innovative NGP technologies



Develop Footprint right markets

- Prioritise growth opportunities
- Quality share focus
- Sustain investment

Drive Cost Optimisation

- Simplify operating model
- Lean manufacturing
- Control of overheads

Embed Capital Discipline

- Maximise cash conversion
- Robust capital allocation
 - Debt repayment
 - Dividend
 - Investment

Delivering Against our Strategy



Maximise sustainable shareholder returns

Strengthen Portfolio

35% reduction in brands

65% net revenue from
Asset Brands

Strong e-vapour brand



Develop Footprint

Strengthened footprint
through **investment**

Volumes outperforming
+20bps share in H1

+ve share gains
in priority markets

Drive Cost Optimisation

£370m savings to date

£600m p.a. by 2020

Industry-leading
margins

Embed Capital Discipline

Consistent cash conversion

90% to 95%

£0.9bn debt
reduction p.a.

Solid Foundation for Next Chapter of Growth

Building Momentum

Growing revenue and profit, strong balance sheet



Momentum in Tobacco



Focused investment drives share gains in priority markets



Volume performance driven by Growth Brands



Significant improvement in H2 price/mix

Significant NGP step up



Positive initial results on myblu rollout

Nicotine salts rollout in July

Innovation supports standout consumer experience

Efficiency & Capital Discipline



Ongoing cost optimisation supports investment



Cash generation underpins strong balance sheet



Strong track record on cost and cash delivery

Strategy Delivering

Momentum through focused investment



Tobacco Maximisation

Continued share gains in priority markets - Group volumes outperform

Growth Brands gaining share and growing volumes

NGP Growth

Significant step up in NGP – *myblu* rollout positive initial results

Innovation pipeline supports standout consumer experience



Tobacco Max: Portfolio Focus

Growth Brands driving quality revenue



Growth Brand Volumes

+6.3%
+1.6% ex. migration

Growth Brand Share

+100bps
Up in all divisions

Asset Brand Revenue

+4.3%

Asset Brand % of Revenue

65%
+480bps

- Successful simplification of portfolio
 - Migrations achieving c.95% retention; 69 complete
- Focused investment driving Asset Brand revenue
- Growth Brands market share now 9%
 - Driven by P&S, Winston, West



Focused Investments – Returns Markets

Supporting key markets with targeted investment



Strategic Choices



How to win





Germany

Investment in brand equity and distribution



Tailor Customer Solutions



- Extending trade partnership approach
- Key Account category management

Core Range Everywhere

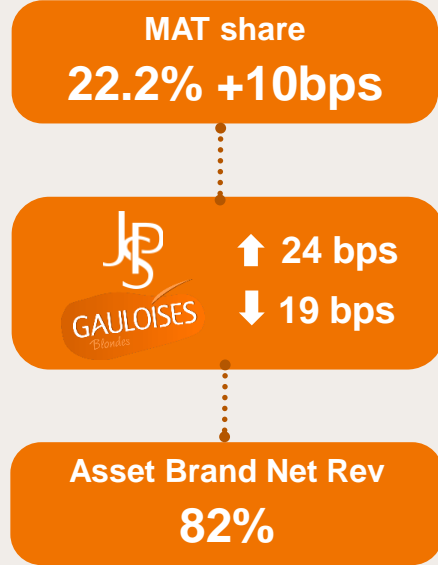
- Increased core range distribution
- Distribution points +11% since FY16
- On shelf availability supported by POS

Portfolio & Brand Investment



- Portfolio initiatives capture changing consumer demand
- Bigger formats in both FMC & FCT
- JPS Blue Stream & Gauloises L'autre support 'lighter' product offer

Portfolio & Brand Investment



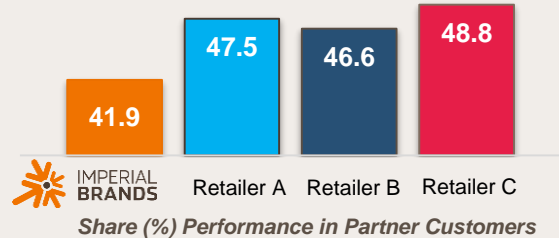


UK

Leading in a challenging market



Tailor Customer Solutions



- Partnerships in convenience channel
- Driving share outperformance

Core Range Everywhere

- Broadening call coverage & frequency
- +10% increase in store visits in FY18
- Distribution gains +124k points of sale

Portfolio & Brand Investment



- Significantly growing share of Crushball
- Capture evolving consumer demand



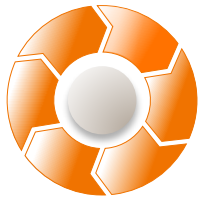
- GV pocket pouch & zip lock variants

Portfolio & Brand Investment

MAT share
41.9% +50bps

PLAYER'S **↑ 287 bps**
GOLD LEAF **↑ 445 bps**

Asset Brand Net Rev
74%



Spain, France & Australia

Brand focus, activations & distribution



- 29.2% MAT share (-80 bps)
- Improving blondes cigarette share trajectory
- Dark tobaccos around 30bps drag on overall share
- Good growth in Fortuna and West



- 21.0% MAT share (+10 bps)
- Profit pool impacted by significant excise change
- 40% SKU reduction
- Improved core range coverage
- Mid term outlook positive
- NGP focus with *myblu*



Feb launch: now >1%

Launched Nov'17

- WSE share growing
- JPS biggest brand in FMC
- New launches show ability to innovate in dark market
- c. 50% of market still paying premium for tobacco

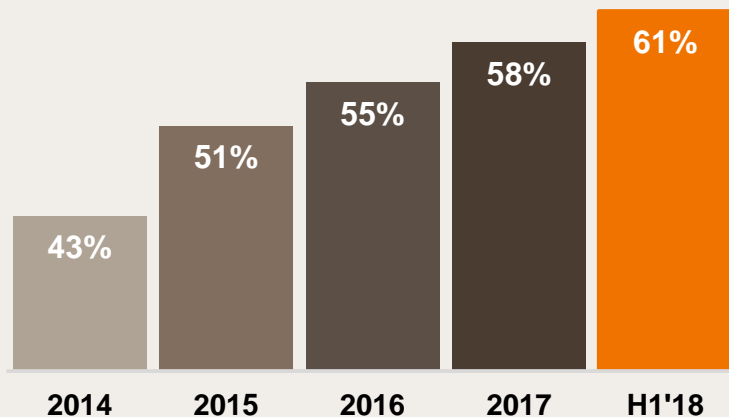
Strengthening our Portfolio

Growth Brands driving quality revenue

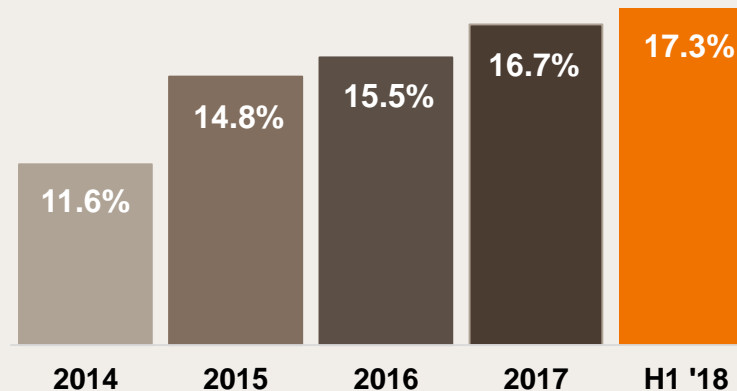


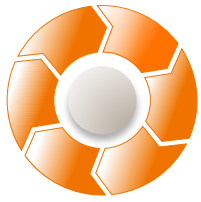
Quality Growth in Returns Markets

Growth Brand Revenue %



Growth Brand Share





Tobacco Max: Leverage Market Repeatable Model

Investment delivering share gains



+10bps

JPS FMC & fine cut growth



-20bps

Winston, Kool & Maverick up,
tail brands down, MMC up



+50bps

Driven by Players & Gold Leaf



+60bps

P&S queen size & crushball



-100bps

Temporary price impact; spot
recovered, new launches



+490bps

West #1 brand in market



-80bps

Improving blondes share,
dark declines



+20bps

Record JPS share



+10bps

Growth of News FMC & fine cut



+20bps

Continued growth of West

Strategy Delivering

Momentum through focused investment



Tobacco Maximisation

Continued share gains in priority markets - Group volumes outperform

Growth Brands gaining share and growing volumes

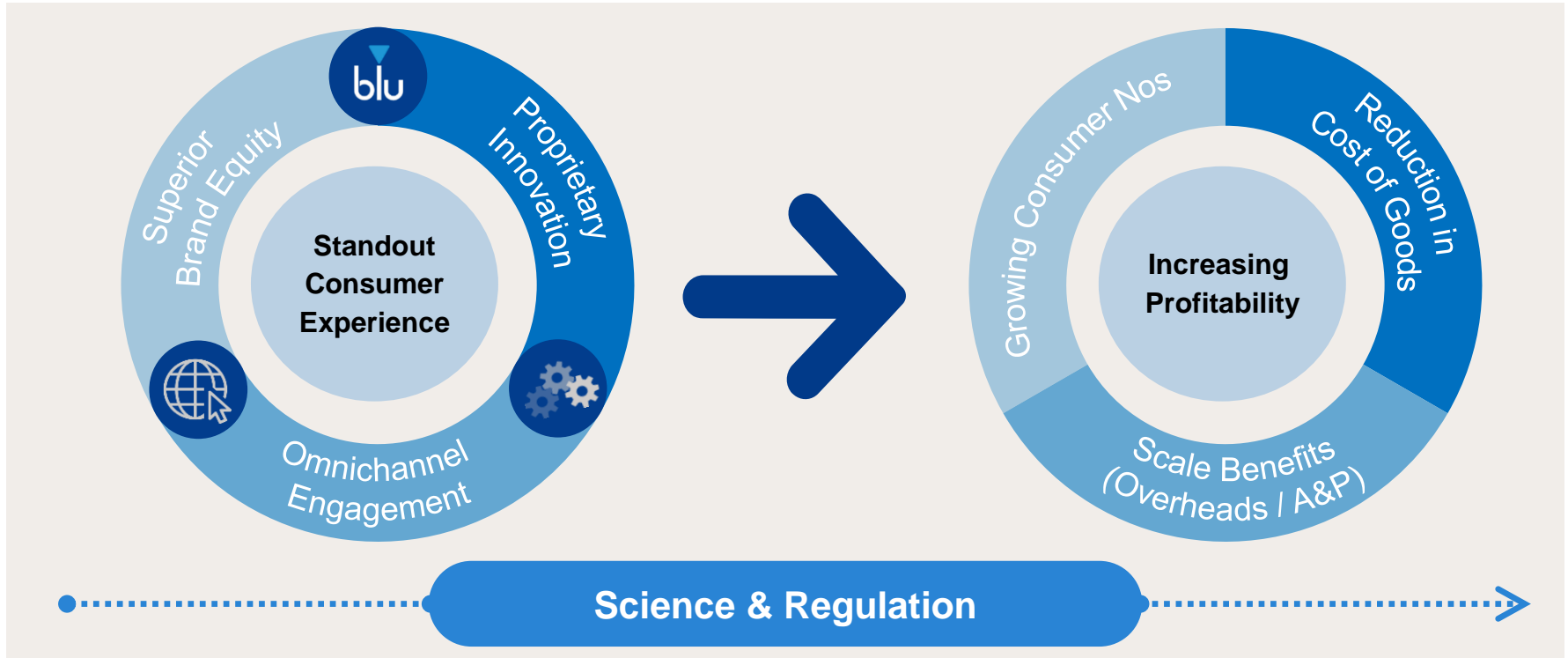
NGP Growth

Significant step up in NGP – *myblu* rollout positive initial results

Innovation pipeline supports standout consumer experience


Significant NGP Ambition

Additive revenue & profit opportunity



Building Growth in Distribution

myblu rollout on track



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- Now in 6 markets
- 10 markets by end FY18
- Summer launch of nicotine salts
- Expanding distribution in traditional retail, vape stores and online

blu innovation pipeline

Building differentiated consumer experiences



Now

Next

To come



myblu



blu ACE



Nicotine salts



3D Flavour



Next gen pod



Connectivity

Strategic Focus: Right Markets, Brands & Products

More active capital allocation



Improving Momentum into H2

Platform for FY18 growth



- Sustained share growth in markets that matter
- Delivering quality revenue through strongest brand equities
- Improving price/mix momentum
- Stepping up NGP; revenue growth in H2
- Disciplined capital approach supports 10% dividend growth