

PRELIMINARY RESULTS 2018

Imperial Brands PLC

6 November 2018



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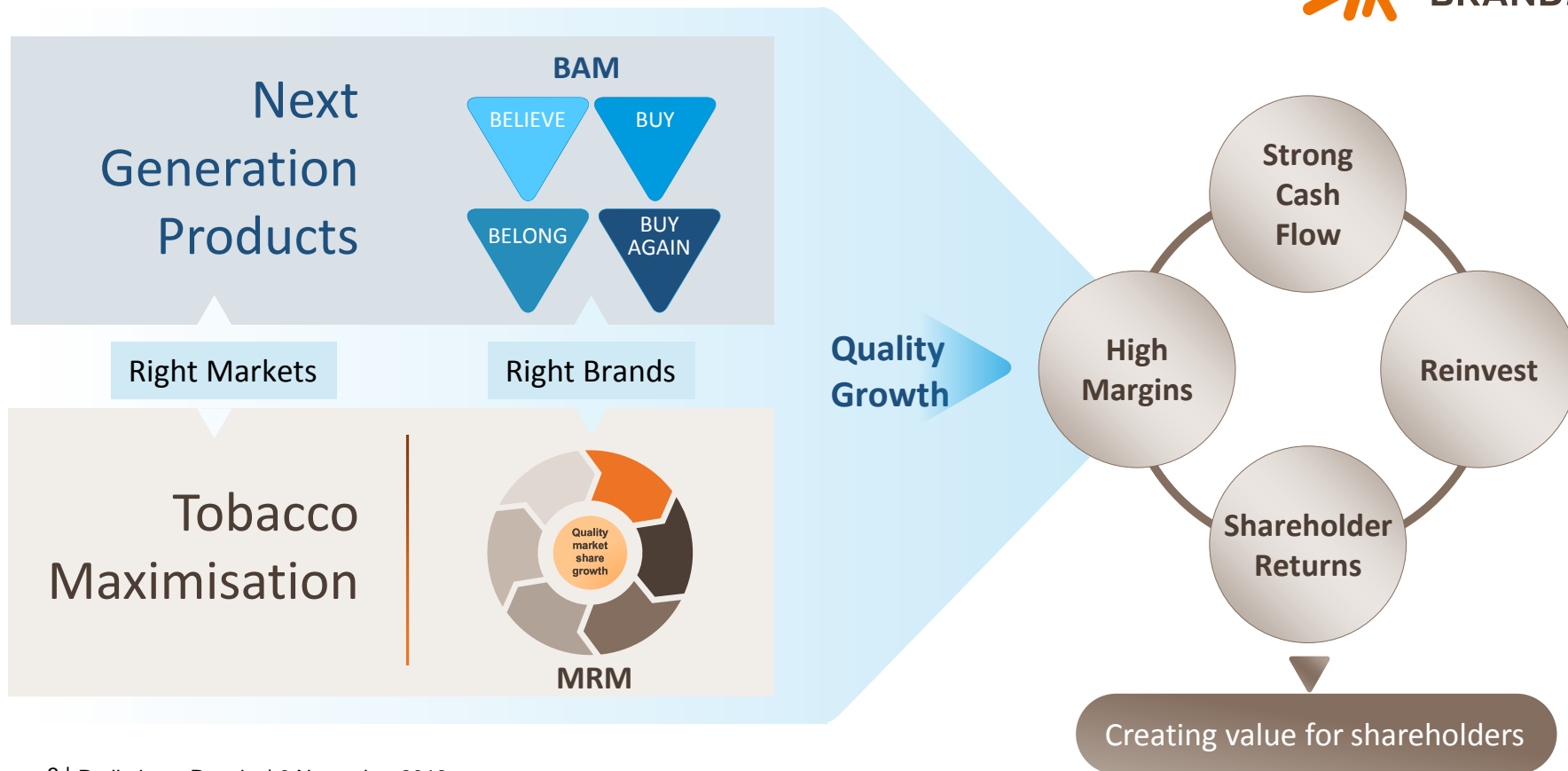


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Creating Something Better for the World's Smokers



Strategy Delivering Improved Performance

Net revenue +2%, EPS +5%, dividend +10%



Tobacco Maximisation

Volumes outperforming market

+10 bps | share FY18

+420 bps | Revenue % from Asset Brands

+70 bps | Growth Brand share

share gains in priority markets



improving growth rate in others



Next Gen Products



blu

Significant portfolio expansion in FY18

- ▼ Pod repurchase rate growing
- ▼ **£0.3bn** annualised exit rate
- ▼ Additional brand building FY19
- ▼ Innovative R&D pipeline



▼ Clear path to profitability

Active Cost & Capital Allocation

£110m | cost savings in FY18

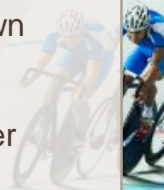
97% | cash conversion

£0.8bn | further net debt reduction

+10% | dividend growth

£280m Logista sell-down & US OTP

Progressing well on further divestments



Delivering Our Strategy



FY18 Financial Review

Oliver Tant

Tobacco Maximisation

Alison Cooper
Dominic Brisby
Joerg Biebernick

Next Generation Products

Alison Cooper

Looking Forward

Alison Cooper

Summary Financials FY18

Successful year of delivery

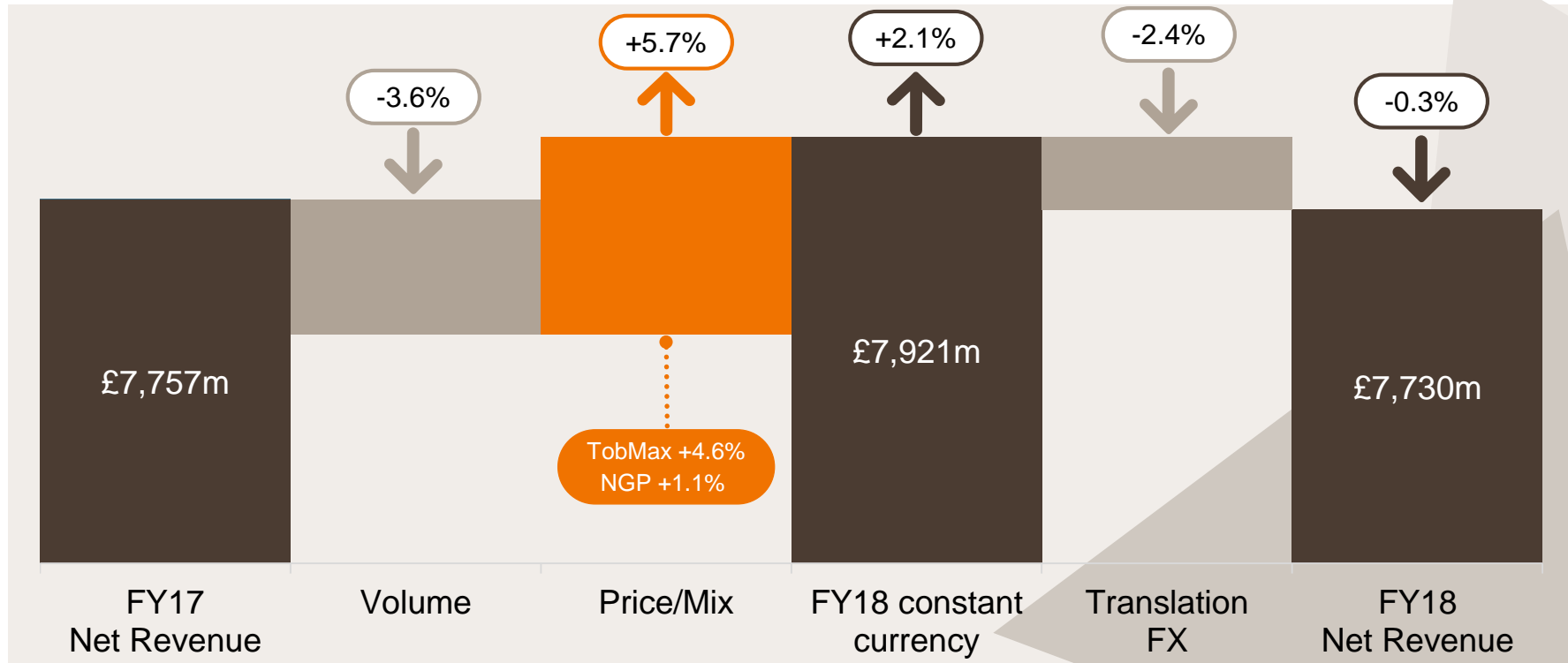


	£m	% change	% constant currency
Tobacco net revenue (£m)	7,730	-0.3%	+2.1%
Tobacco & NGP AOP (£m)	3,557	-1.1%	+1.9%
Adjusted EPS (pence)	272.2	+1.9%	+5.0%
Cash conversion	97%		
Net debt reduction* (£bn)	0.8bn	Net debt : EBITDA 2.9x	
Dividend per share (pence)	187.8	+10.0%	



FY18 Net Revenue

Tobacco & NGP driving growth in revenue



Quality Growth in all Divisions

Asset Brands focus supports quality revenue growth



	Asset Brands % Rev	Growth Brands share	Net Revenue Variance	
			FY18	H218
Growth	74% +290bps	+40bps	+5.6% +0.4% ex NGP	+17.4% +4.6% ex NGP
USA	50% +570bps	+10bps	+6.7%	+5.9%
Returns	70% +420bps	+110bps	-1.1%	+1.4%
Group	67% +420bps	+70bps	+2.1% +0.9% ex NGP	+6.0% +3.1% ex NGP

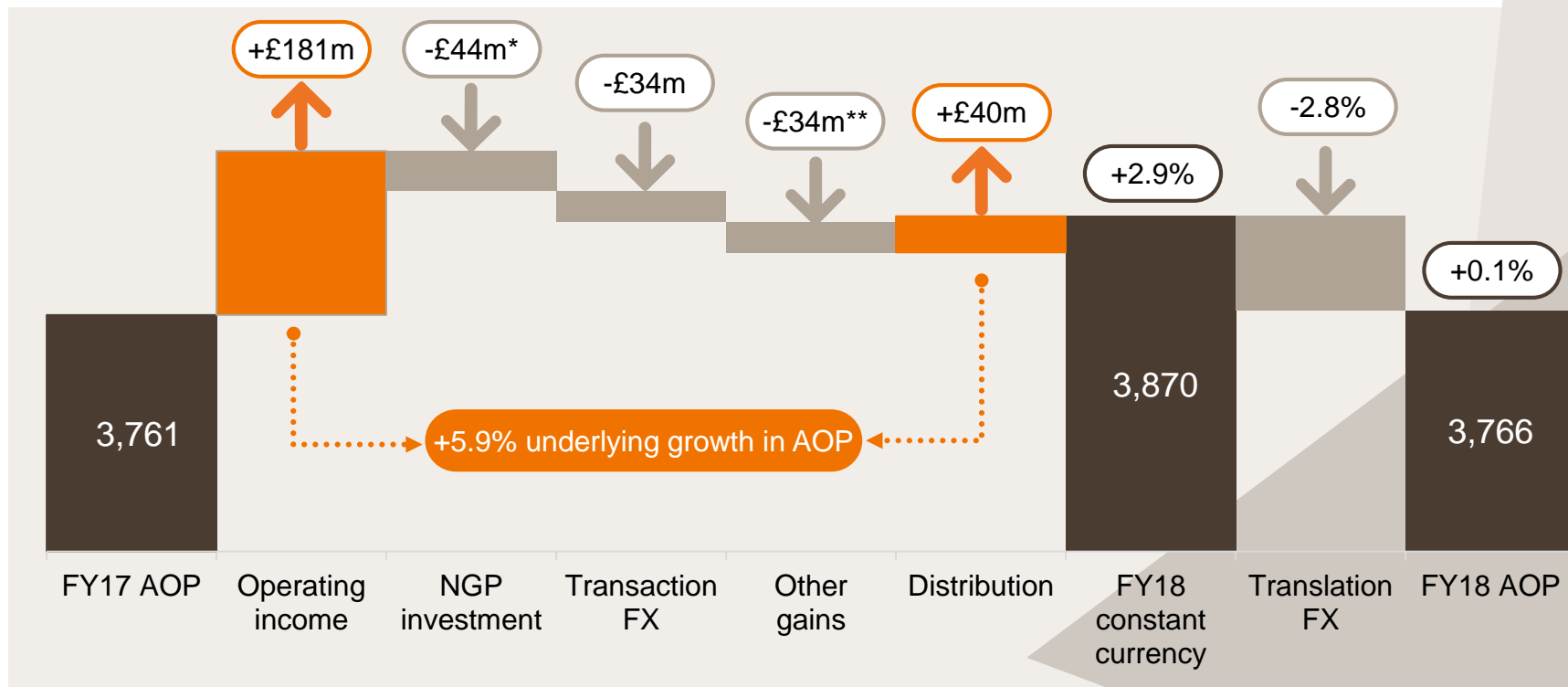
H218

North +4.8%

South -4.9%

FY18 Adjusted Operating Profit

Profit growth in tobacco and distribution



Strong Capital Discipline

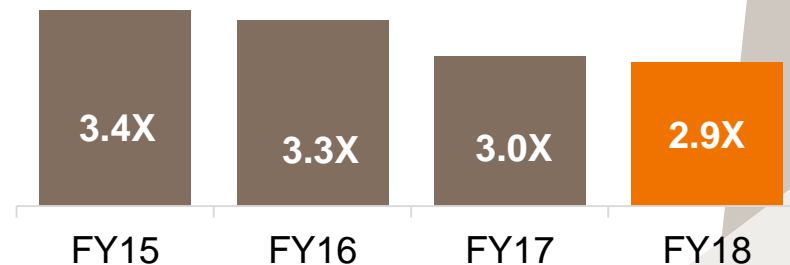
Funding investments and returns



Strong cash performance

£m	FY18	FY17	Cash delivery
Net cash flow from operating activities*	3,087	3,065	↑ +22
Interest	(491)	(537)	↑ +46
Capex	(193)	(220)	↑ +27
Acquisitions/ Disposals/Other	148	36	↑ +112
Free Cashflow	2,551	2,344	↑ +207
Dividend	(1,747)	(1,577)	↓ (170)
Net debt repay**	804	767	↑ +37

Net Debt/EBITDA



97% cash conversion

- Capital light investments
- Deleverage and returns focus

Cost Discipline

Cost efficiency supports investment in growth

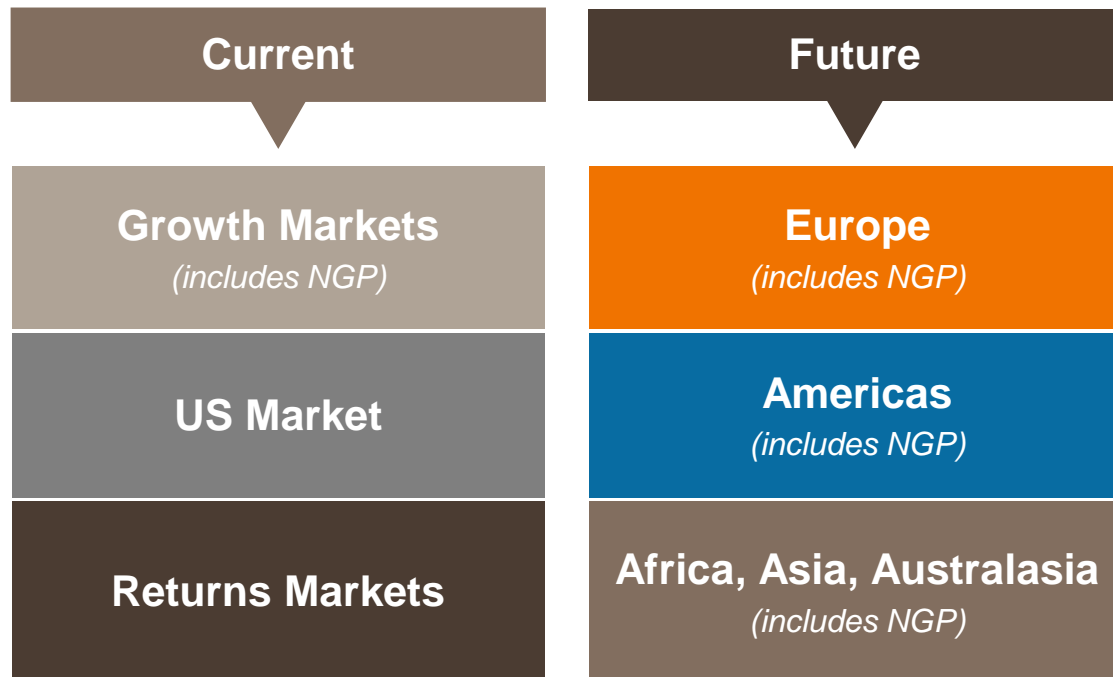


Savings in FY18	Total Savings since FY13
£110m	£480m
FY19 savings	Total planned savings by FY20
c. £80m	£600m

- 1st programme completed £300m savings
- 2nd programme delivered £180m to date
- Removing fixed costs to increase agility
- Increased tobacco operating margins
- Funding NGP investments

Segmental Reporting Changes

Changes from FY19 onwards



- Divisional to geographic
- NGP to be reported within each geography
- blu moves to Growth Brands
- NGP revenues separately disclosed
- Other small changes to Specialist Brands portfolio
- IFRS 15 changes

FY19 Outlook

Accelerating revenue growth; growing NGP profitability



Tobacco Maximisation

- Quality share growth of Asset Brands in priority markets
- Modest digit revenue growth
- Positive margin progression

NGP

- Accelerating revenue growth
- £100m investment H1 weighted
- Expect to be profit positive as we exit FY19

H1 Lower EPS – increased investment behind growing NGP revenue

FY Accelerating net revenue growth & growing profits

Strategy Delivering in Tobacco & NGP

Momentum through focused investment



Tobacco Maximisation

Share gains in
priority markets
supporting
growth in net
revenue

Quality growth
through Asset
Brand focus

NGP Growth

Significant step
up in NGP,
myblu rollout

Key building
blocks in place
for acceleration
in growth

TobMax Strategic Focus; Informed Choices

Assets and capabilities aligned to growth opportunities



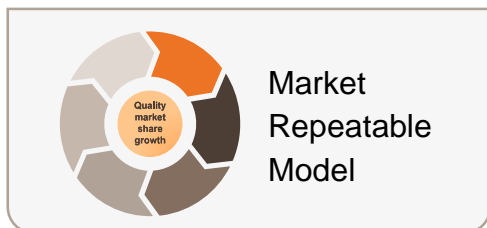
Focus on fewer brands



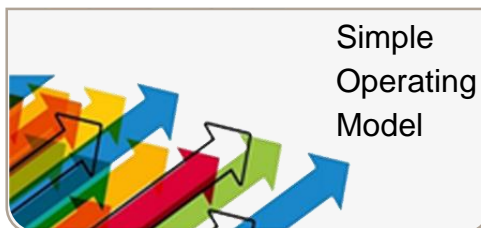
Invest in priority markets



Consistent market execution



Lean & agile organisation



- Clear investment choices for growth
- Prioritised strongest brands & invested in main demand shifts
- Focused on key tobacco profit pools where we can win
- MRM; our codified RTM model
- Lean operating model supports growth agenda

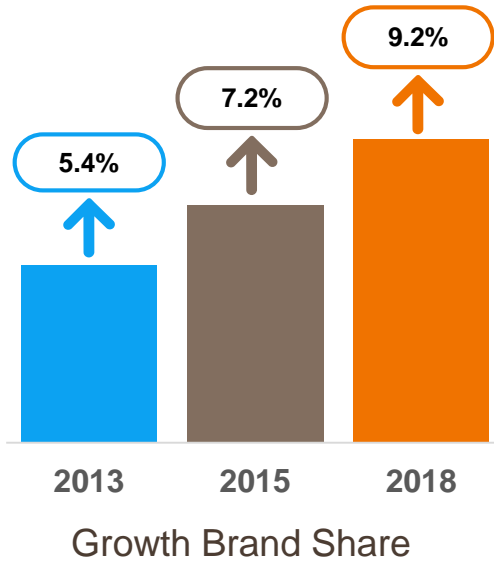


Tobacco Max: Growth Brand Focus

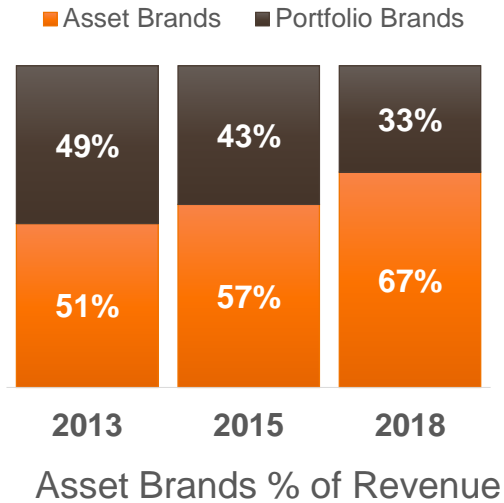
Investment delivering share gains



Driving sustained share gains in Growth Brands



Growing revenue from our strongest equities



- Driving quality revenue
- Share gains in priority markets
- Improved tobacco revenue delivery

Asset Brands: Creating Something Better

Investing in global demand shifts



New Davidoff Reach

Consumers seeking modern formats

Particularly strong in Eastern Europe



P&S Compact



JPS Blue Stream



P&S low tar

Lower tar ranges gaining share in Europe



West 'Purple'



P&S crushball

Increasing demand for new flavour experiences



West boxes



P&S super kings

Growing 'value' demand across FMC & Fine-cut

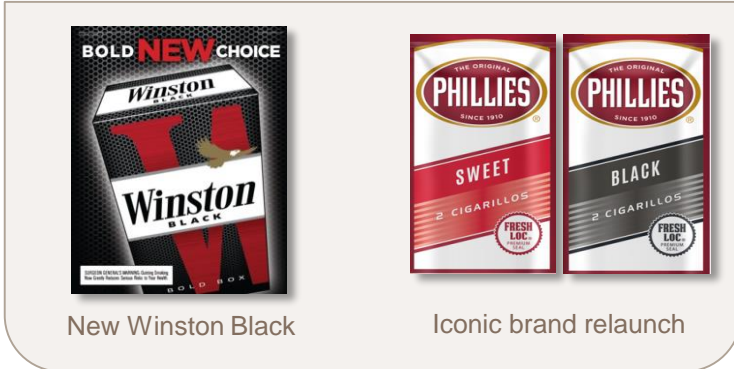


Market Performance: USA

Strong revenue growth in cigarettes & cigars



Market-focused portfolio



New Winston Black

Iconic brand relaunch

- Industry volumes down 4.6%

- Strong price/mix performance
- Strengthened position in deep discount
- Higher share in Winston, Kool & Maverick
- Backwoods driving MMC revenues

- Improving share trajectory; exiting in growth



Market Performance: Russia

Growth in Asset Brands supports ongoing share gains



Consumer-led approach driving share



P&S share up 100bps



New Davidoff queen size

- Increase in illicit driving size decline -7.6%

- Strong Growth Brand performance
- New P&S and Davidoff Queen Size variants
- Key Account focus drives increased distribution & efficiency

- Share up +90bps, revenue & profit growth



Market Performance: Japan, Saudi, Italy

Investment delivering share growth



Zero-nicotine launch

- Share up +20bps
- Distribution gains driving continued growth in West
- Encouraging response to myblu launch



Strong share growth

- Market shift from premium to value
- Excise driven decline in profit pool
- Share up +60bps



- Share up +40bps
- Growth Brand focus driving growth in JPS
- Improving price/mix in H2



Market Performance: UK

Continuing share gains & improving price/mix



Asset Brand Growth Supports
Quality Revenue



Players crushball supports share gains

Gold Leaf share
+170bps



- Improved market size trend: lapped EUTPD

- Asset Brand % of revenue up to 75%, driven by Players and Gold Leaf
- Key account focus; share significantly greater than average
- Growing *myblu* share; building distribution

- Stronger H2 price/mix
- Continued share growth +10bps



Market Performance: Germany

Strong financial delivery; focus on key demand shifts



Focusing on key demand shifts



West driving share in fine-cut



Growing JPS share in FMC

- H2 c.1% market decline post EUTPD changes

- Asset Brands driving revenue growth
- Investment in Key Account partnerships
- Growth in fine-cut driven by West
- Re-focus portfolio around key demand shifts
- Key city launch of *myblu* progressing well

- Fine-cut share gains offset by cigarettes
- Strong financial delivery



Market Performance: France, Australia, Spain

Good progress in challenging markets



Fine-cut share +90bps

- Excise drives market decline
- Disciplined pricing approach
- Overall value share +70bps
- *myblu* strength in tobacconists



P&S launch in low price tier

New JPS fine-cut launch

- Emergence of lower price tier
- Price/mix and efficiencies drive revenue & profit growth
- Share recovery post H1 decline



Improving blondes trend

- Continued improvement in overall share trajectory
- Improving trend in cigarettes and fine-cut
- Digital display enhances POS

Delivered FY18 Step-up

Strong momentum underpins FY19 acceleration



Delivered step-up in FY18

- NGP revenue £0.2bn
- Annualised FY18 exit rate £0.3bn revenue
- Building omnichannel distribution
- *myblu* in 10 markets
- Growing pod repurchase rate

Acceleration in FY19

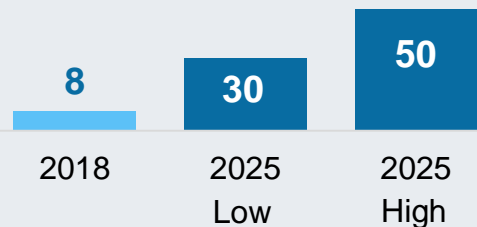
- Portfolio solving for smoker satisfaction
- Scalable blu adoption model
- Innovation pipeline – with leading edge science
- Significant additive growth
- Positive profits by exit FY19

Additive Growth Opportunity

Growing category with positive economics

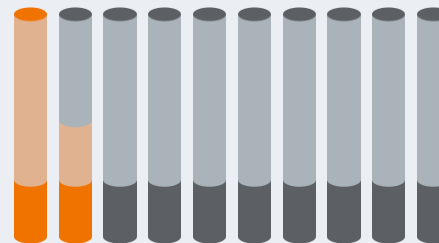


Global vaping market RSP (£bn)



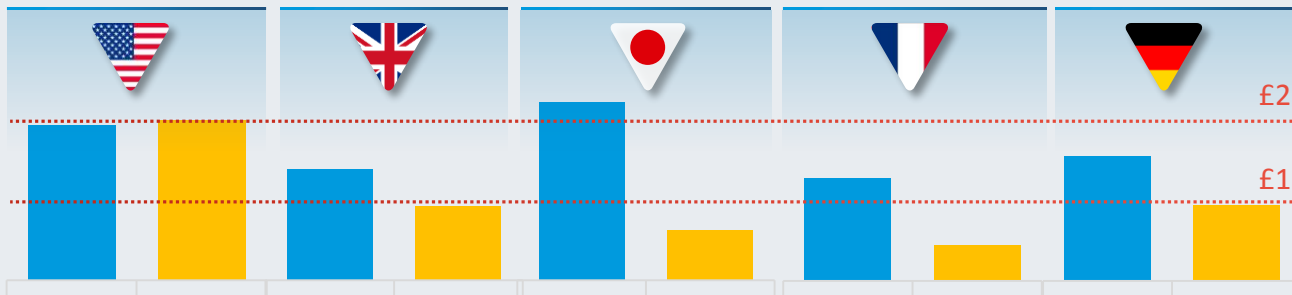
Retail value of vaping market **growing between 300% and 500%**

Imperial 14% tobacco share



with **limited impact** on our combustible revenue...

Net revenue per pod versus 20 cigarettes



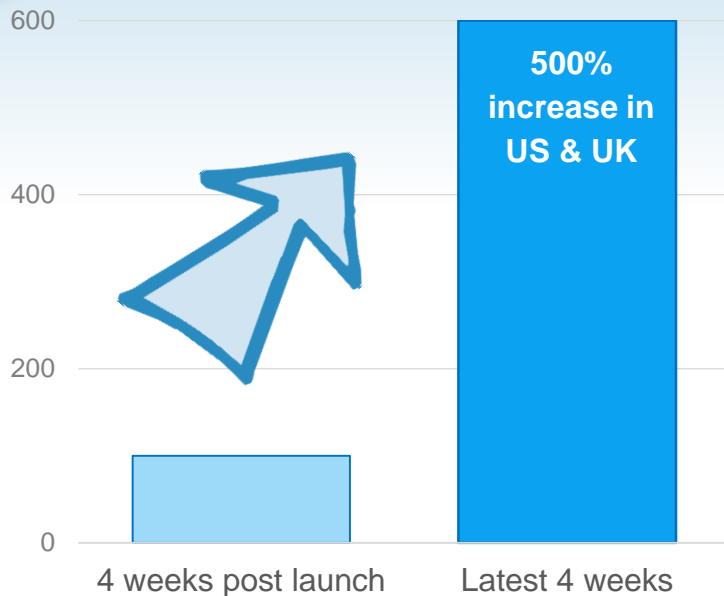
and **positive unit economics** with pod net revenue **greater than cigarettes**

Momentum in Largest Vapour Markets

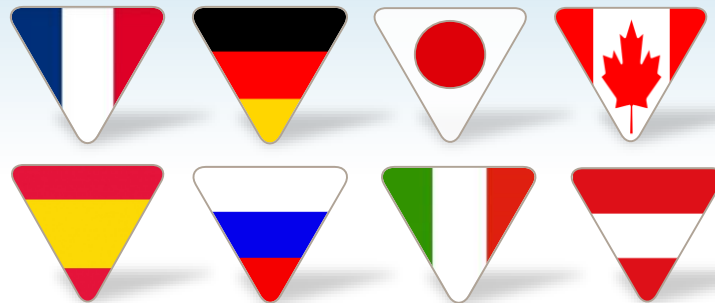
Growing pod repurchase platform for FY19 revenue



myblu weekly pod sales*



Successful market roll-outs



- Building awareness and distribution
- Strong consumer response
- Further market expansion in FY19

Dynamic Innovation Supports Smoker Conversion

Further rollouts in FY19



Vapour



Nicotine salts



Connectivity



3D Flavour



Next gen pod

Other
NGP



Tobacco Free
Snus

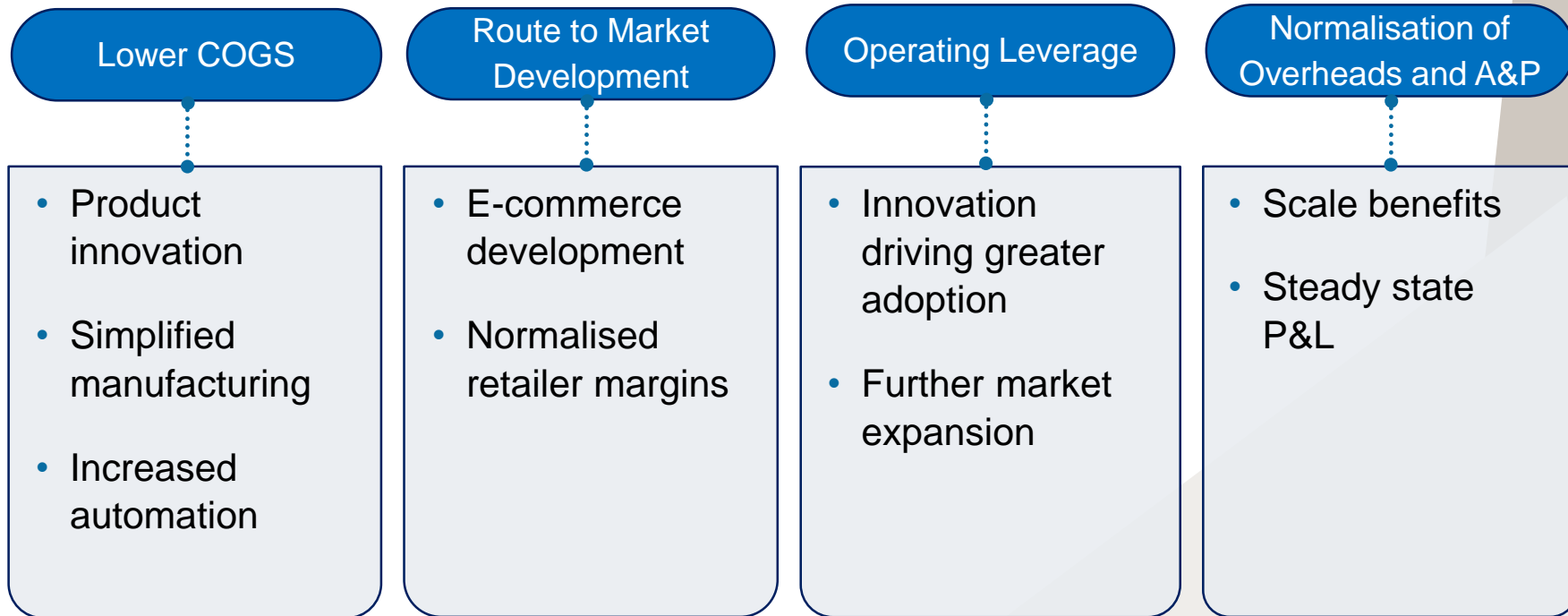


Heated Tobacco



Clear Levers to Drive Profitability

Contributing to group profit by end FY19



2018: Building Blocks in Place; Accelerating in FY19

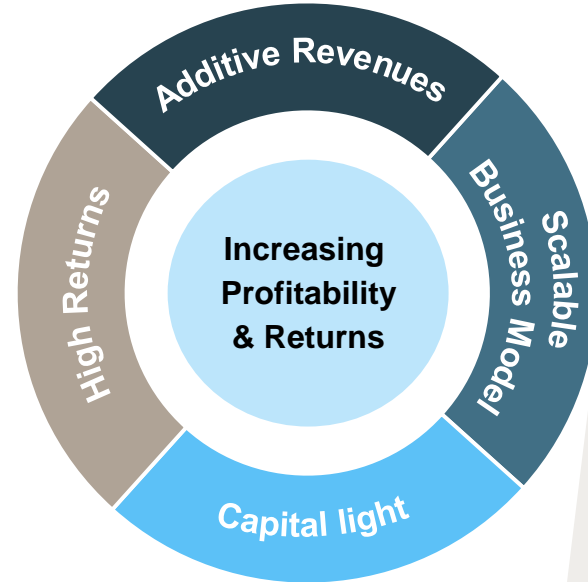
Unique set of assets & competencies to deliver growth



Delivering to Smokers



Delivering to Shareholders



Creating Something Better for the World's Smokers

Investor proposition



Higher Revenue & Profit Growth



- Resilient TobMax model
- Additive NGP growth
- Increasing NGP profitability

Cost & Capital Discipline



- Cost efficiencies
- Strong cash conversion
- Disciplined investment
- Targeted divestments

Capital Priorities



- Ongoing debt reduction
- Investment in growth opportunities
- Shareholder returns

PRELIMINARY RESULTS 2018

Imperial Brands PLC

6 November 2018



Appendices

Group financials



Group Adjusted Results



		FY17	Foreign Exchange	Constant Currency Growth	FY18	Actual Δ	Constant Currency Δ
Tobacco & NGP net revenue	£m	7,757	(191)	164	7,730	-0.3%	+2.1%
Tobacco & NGP operating profit	£m	3,595	(107)	69	3,557	-1.1%	+1.9%
<i>Tobacco operating margin</i>	%	<i>46.3</i>			46.0	<i>-30 bps</i>	<i>0bps</i>
Logistics distribution fees	£m	914	15	60	989	+8.2%	+6.6%
Logistics operating profit	£m	181	3	28	212	+17.3%	+15.5%
<i>Logistics margin</i>	%	<i>19.8</i>			21.5	<i>+170 bps</i>	
Eliminations	£m	(15)			(3)		
Adjusted operating profit	£m	3,761	(104)	109	3,766	+0.1%	+2.9%

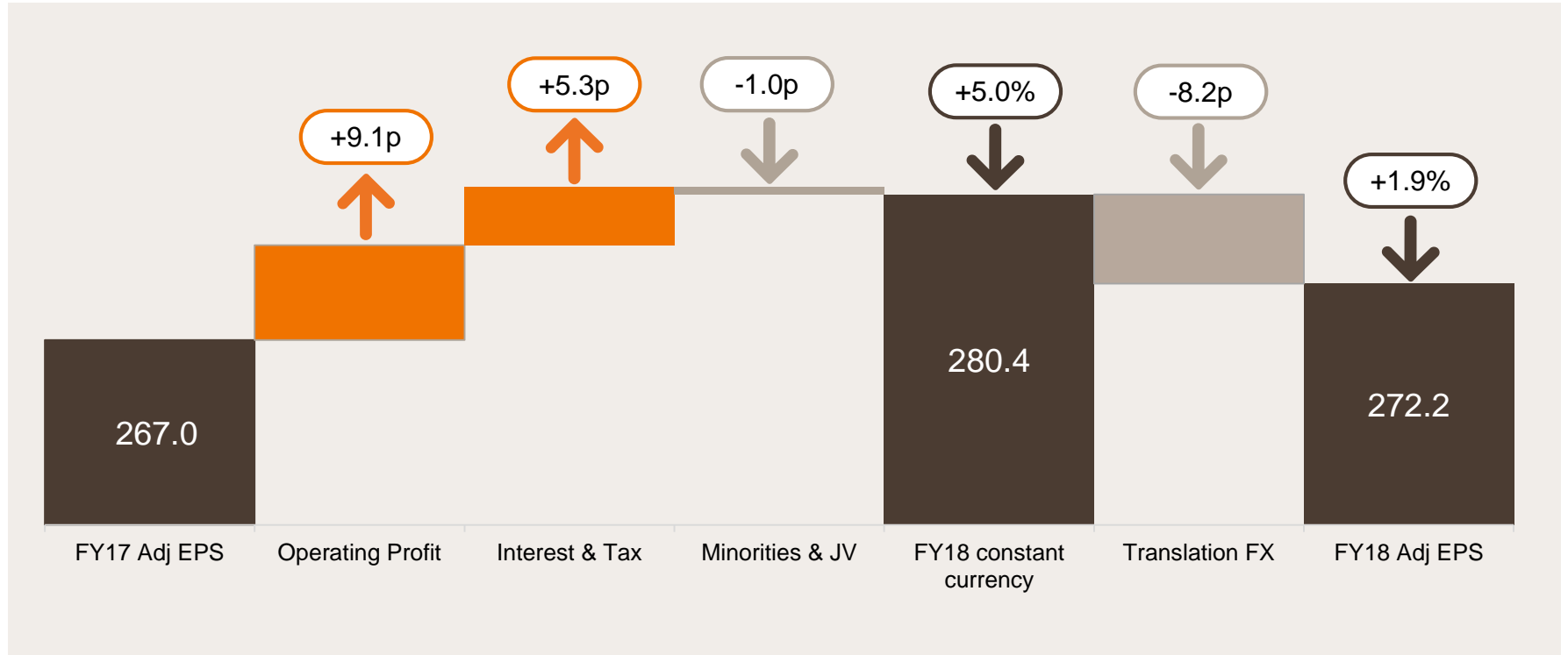
Group Adjusted Results



		FY18	FY17
Adjusted operating profit	£m	3,766	3,761
Interest	£m	(487)	(537)
Share of profit of JVs	£m	42	33
Profit before tax	£m	3,321	3,257
Tax rate	%	19.5	20.0
Adjusted EPS	pence	272.2	267.0
DPS	pence	187.8	170.7
Cash conversion	%	97	96
Adjusted net debt	£m	(11,474)	(12,147)

FY18 EPS Growth

Operating profit growth drives earnings



Reconciliation: Reported to Adjusted



£m (unless otherwise stated)	Reported FY18	Amortisation of acquired intangibles	Fair value gains on financial instruments	Post employment net financing	Restructuring costs	Administration of UK distributor	Tax on unrecognised losses	Deferred tax impact of tax reforms	Adjusted non-controlling interests	Adjusted FY18
Operating profit	2,407	1,053			196	110				3,766
Share of profit of JV	42									42
Finance costs	(626)		126	13						(487)
Profit before tax	1,823	1,053	126	13	196	110				3,321
Tax	(396)	(196)	(22)	(5)	(55)	(21)	76	(29)		(648)
Profit after tax	1,427	857	104	8	141	89	76	(29)		2,673
Minority interest	(59)								(22)	(81)
Earnings attributable	1,368	857	104	8	141	89	76	(29)	(22)	2,592
Basic EPS (pence)	143.6p	90.0p	10.9p	0.8p	14.9p	9.3p	8.0p	(3.0)p	(2.3)p	227.2p

Income Statement



£m (unless otherwise stated)	FY18	FY17
Revenue	30,524	30,247
Adjusted operating profit	3,766	3,761
Amortisation and impairment of acquired intangibles	(1,053)	(1,092)
Restructuring costs	(196)	(391)
Administration of UK distributor	(110)	-
Share of profit of investments accounted for using the equity method	42	33
Net finance costs*	(626)	(450)
Profit before tax	1,823	1,861
Tax	(396)	(414)
Profit after tax	1,427	1,447
Minority interests	(59)	(38)
Basic EPS (pence)	143.6	147.6
Adjusted EPS (pence)	272.2	267.0

Balance Sheet



£m	FY18	FY17
Non-current assets: tangible	4,478	4,331
intangible	19,117	19,763
Current assets: inventories	3,692	3,604
other	3,561	3,292
Current liabilities	(11,237)	(10,878)
Non-current liabilities	(13,166)	(13,886)
Net assets	6,445	6,226

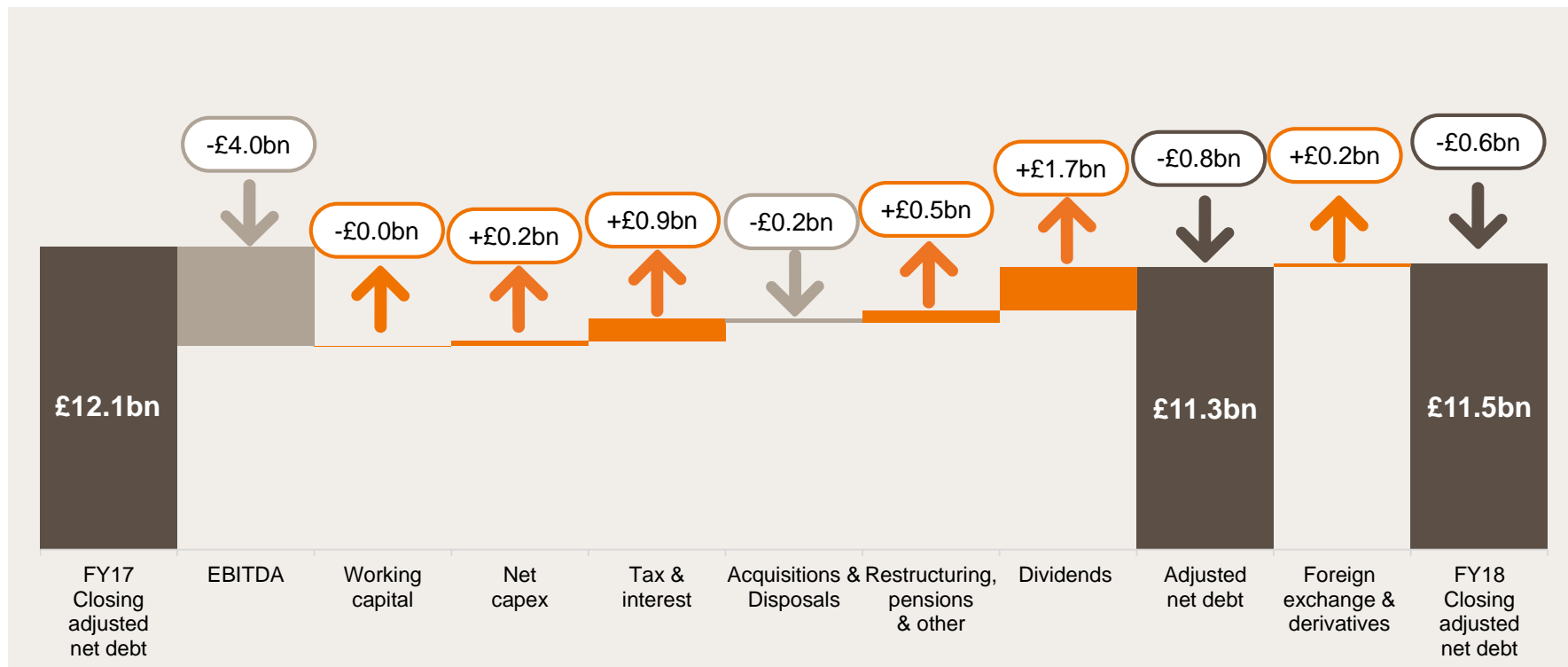
Cash Flow



£m	FY18	FY17
Cash flows from operating activities pre tax	3,494	3,635
Tax paid	(407)	(570)
Cash flows from operating activities	3,087	3,065
Net capex	(193)	(220)
Logista Share Sale/Purchase of Shares	193	102
Purchase of IP	(75)	(31)
Employee Share Ownership Trust	2	12
Loans to JV/Third Parties	28	(47)
Dividends paid (inc. minority interests)	(1,747)	(1,577)
Net interest paid	(491)	(537)
Net cash flow	804	767
Opening net debt	(12,490)	(13,319)
Closing net debt before non-cash movements	(11,686)	(12,552)
Non-cash movements		
Exchange movement	(152)	(7)
Interest accretion and derivative fair value adjustments	(61)	69
Closing net debt after non-cash adjustments	(11,899)	(12,490)

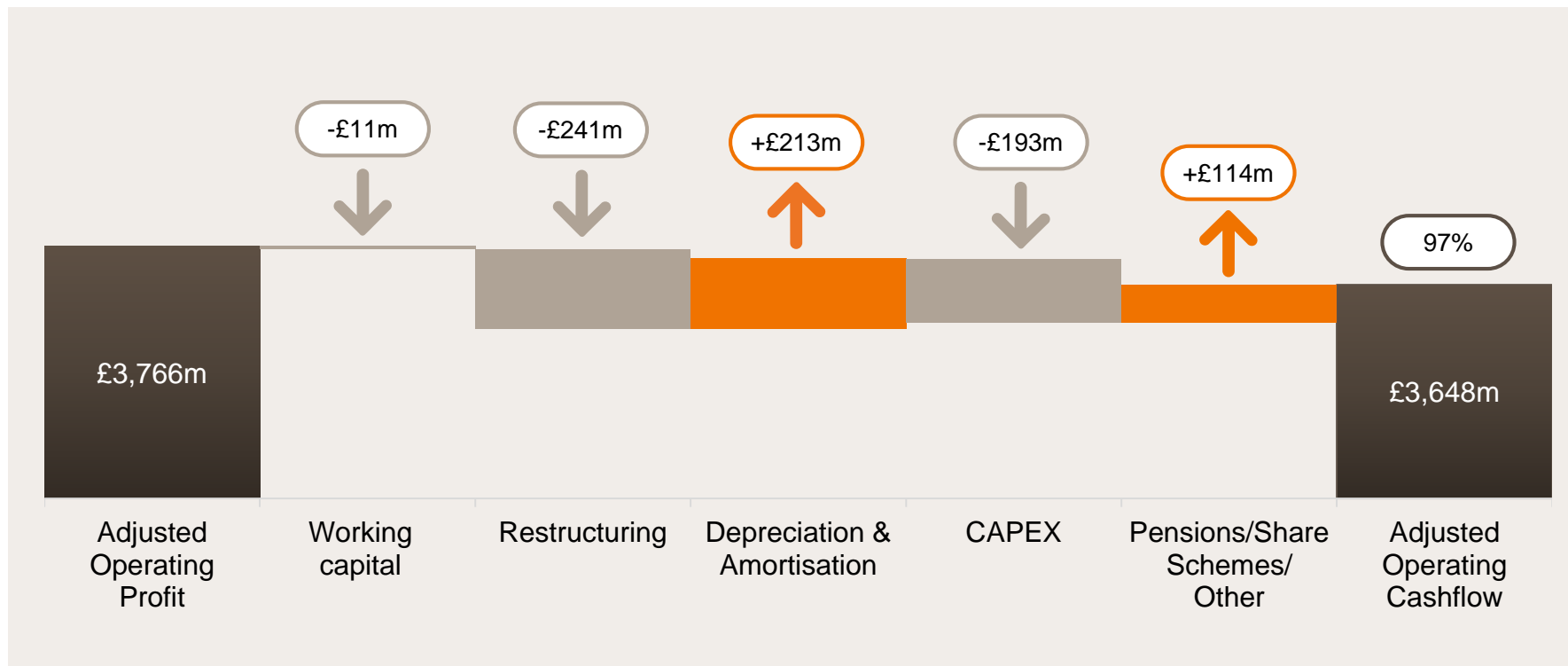
Strengthening Balance Sheet

£0.8bn reduction in Net Debt



Capital Discipline

Strong cash conversion; 97% for FY18



12 Month Cash Conversion



£m (unless otherwise stated)	FY18	FY17
Net cash flow from operating activities	3,087	3,065
Administration of UK distributor	110	-
Provision in respect of loan to third party	(4)	-
Tax	407	570
Net capex	(193)	(220)
Restructuring cash spend	241	201
Cash flow post capex pre interest and tax	3,648	3,616
Adjusted operating profit	3,766	3,761
Cash conversion (%)	97	96
Working capital movement	(11)	67

Net Finance Costs



£m	FY18	FY17
Net finance costs	626	450
Adjusted for:		
- interest income on net defined benefit assets	129	107
- interest cost on net defined benefit liabilities	(142)	(132)
- exchange (losses)/gains	(126)	112
Adjusted net finance costs	487	537

Net Debt Reconciliation



£m	Reported FY18	Accrued interest	Fair value of derivatives	Adjusted FY18
Opening net debt	(12,490)	208	135	(12,147)
Free cash flow	2,551			2,551
Dividends	(1,747)			(1,747)
Accretion of interest	10	(11)		(1)
Change in fair values	(71)		93	22
Exchange movements	(152)			(152)
Closing net debt	(11,899)	197	228	(11,474)

Foreign Exchange



	Average			Closing		
	FY17	FY18	Δ	FY17	FY18	Δ
USD \$	1.267	1.346	+6%	1.339	1.305	-3%
EURO €	1.148	1.130	-2%	1.134	1.127	-1%
AUD \$	1.663	1.770	+6%	1.710	1.809	+6%
Russian Rouble	75.304	81.682	+8%	77.402	85.813	+6%

Divisional Market Share

MAT market share data



	FY18	FY17	Δ
Growth markets	6.8%	6.5% ^R	+30 bps
USA market	8.7%	8.7% ^R	-10bps
Returns North	23.3%	23.9%	-50 bps
Returns South	27.7%	28.0% ^R	-30 bps
Total Returns	25.1%	25.6% ^R	-50 bps
Total Group	13.9%	13.8% ^R	+10 bps

Market Share Calculation

Market share is presented as a 12 month average (MAT). Aggregate market share is a weighted average across markets within our footprint. The sources of market share information by market are continually reviewed to ensure the most accurate data available. Where any changes have been made we have restated (as denoted ^R) the PY number to ensure comparability.

Foreign Currency

Divisional currency exposure



Approximate weight of currency in Tobacco Net Revenue	GBP £	EUR / EUR Linked	USD \$	Other Currencies	Other includes
Returns Markets NORTH	25%	55%		20%	Australian \$ & Ukraine Hryvnia
Returns Markets SOUTH		90%	10%		
Growth Markets		40%	30%	10%	Russian Rouble & Taiwan \$
USA			100%		

Approximate weight of currency in Operating Profit	GBP £	EUR / EUR Linked	USD \$	Other Currencies	Other includes
Returns Markets NORTH	30%	50%		20%	Australian \$ & Ukraine Hryvnia
Returns Markets SOUTH		80%	20%		
Growth Markets		40%	50%	10%	Taiwan \$
USA			100%		
Logistics		100%			

€0.01 (1 cent) movement in the € Euro has a c. £30m impact on net revenue.

\$0.01 (1 cent) movement in the \$ USD has a c. £18m impact on net revenue.

€0.01 (1 cent) movement in the € Euro has a c. £10m impact on PBT.

\$0.01 (1 cent) movement in the \$ USD has a c. £10m impact on PBT

FY19 Guidance

Other financial items



Financing & Cost of Debt

- Average all-in cost of net debt expected to be similar to this year
- Expect lower overall finance charge due to deleverage

Tax Rate

- Broadly unchanged at around 20%

Cash Conversion

- Expect to be slightly below 90%

Foreign Exchange

- Translation FX: 3% EPS tailwind at prevailing exchange rates on 31 October
- Transaction FX: No significant additional transaction FX

Cost Optimisation

- Expecting £80m savings from ongoing optimisation programmes

Restructuring costs

- FY19 cash cost expected at around £300m (FY18: £241m)

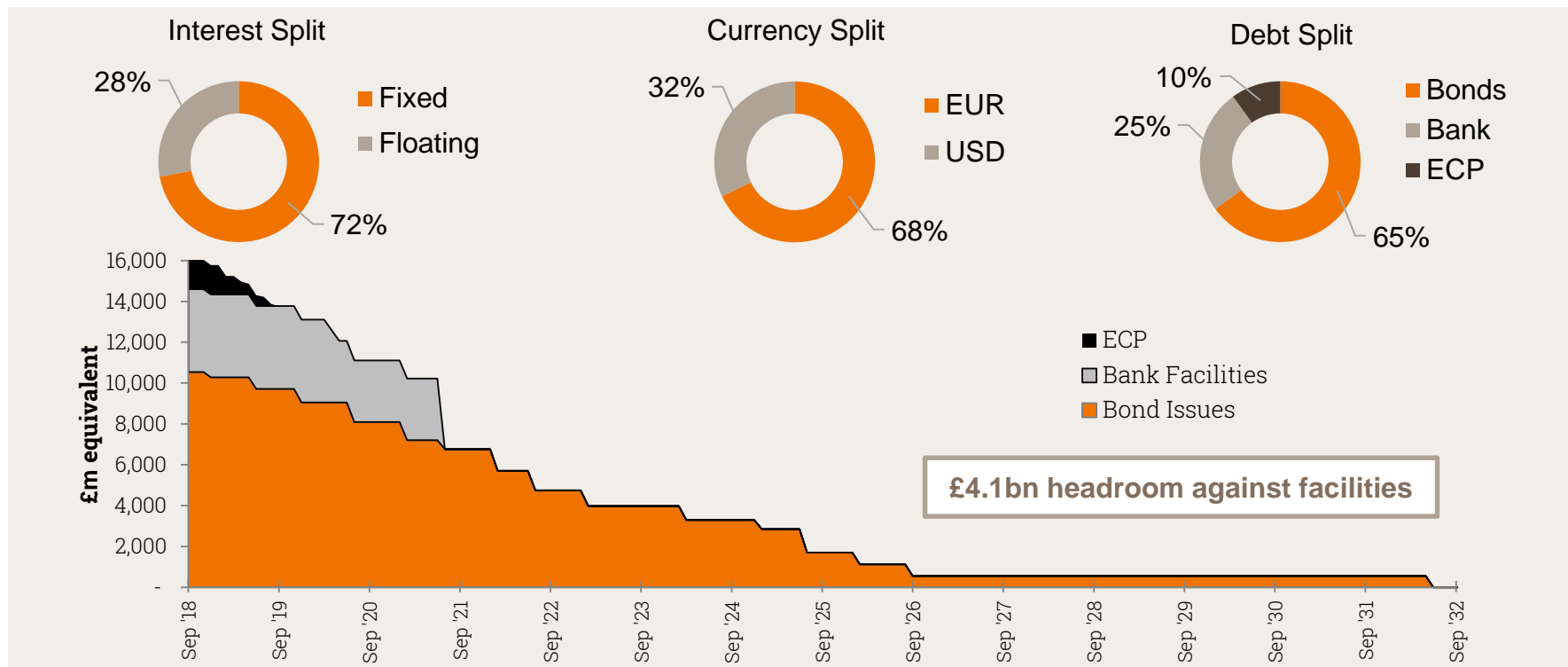
Appendices

Financing



Financial Profile

30 September 2018



Committed Bank Facilities

30 September 2018



Description	Maturity date	Amount	£m equiv.
Committed 5-year Revolving Credit Facility B			
EUR tranche ¹	15 Jul 2021	€2,835m	£2,516m
GBP tranche ¹	15 Jul 2021	£500m	£500m
Committed 2-year Revolving Credit Facilities			
EUR 300m ²	27 Apr 2020	€300m	£266m
EUR 285m	30 Apr 2020	€285m	£253m
EUR 300m	9 May 2020	€300m	£266m
EUR 287.5m ²	15 May 2020	€287.5m	£255m
Total			£4,056m

¹ 5 year facility with two 1 year extension periods at the lenders' option, both of which have been exercised.

² 2 year facility with 1 year extension periods at the lenders' option

All facilities are at competitive margins, and there are margin step-ups and utilisation fees applicable to certain tranches.

Bond Issues

30 September 2018



Amount	Issuer	Coupon	Issue Date	Maturity Date	£m equiv.	Margin
£200m	Imperial Brands Finance PLC	6.250%	Dec-03	Dec-18	£260m ¹	1.1% ¹
£500m	Imperial Brands Finance PLC	7.750%	Jun-09	Jun-19	£566m	3.7% ¹
€750m	Imperial Brands Finance PLC	5.000%	Dec-11	Dec-19	£665m	2.6%
\$1,250m	Imperial Brands Finance PLC	2.950%	Jul-15	Jul-20	£958m	1.4%
€1,000m	Imperial Brands Finance PLC	2.250%	Feb-14	Feb-21	£887m	1.1%
€500m	Imperial Brands Finance PLC	0.500%	Jan-17	Jul-21	£444m	0.7%
£1,000m	Imperial Brands Finance PLC	9.000%	Feb-09	Feb-22	£1,058m ¹	4.8% ¹
\$1,250m	Imperial Brands Finance PLC	3.750%	Jul-15	Jul-22	£958m	1.8%
\$1,000m	Imperial Brands Finance PLC	3.500%	Feb-13	Feb-23	£766m	1.1%
£600m	Imperial Brands Finance PLC	8.125%	Sep-08	Mar-24	£685m	3.1% ¹
€500m	Imperial Brands Finance PLC	1.375%	Jan-17	Jan-25	£444m	1.0%
\$1,500m	Imperial Brands Finance PLC	4.250%	Jul-15	Jul-25	£1,150m	2.2%
€650m	Imperial Brands Finance PLC	3.750%	Feb-14	Feb-26	£577m	1.5%
£500m	Imperial Brands Finance PLC	5.500%	Sep-11	Sep-26	£571m	2.7% ¹
£500m	Imperial Brands Finance PLC	4.875%	Feb-14	Jun-32	£555m ¹	2.1% ¹
Total/Weighted Average Margin					£10,544m¹	2.2%¹

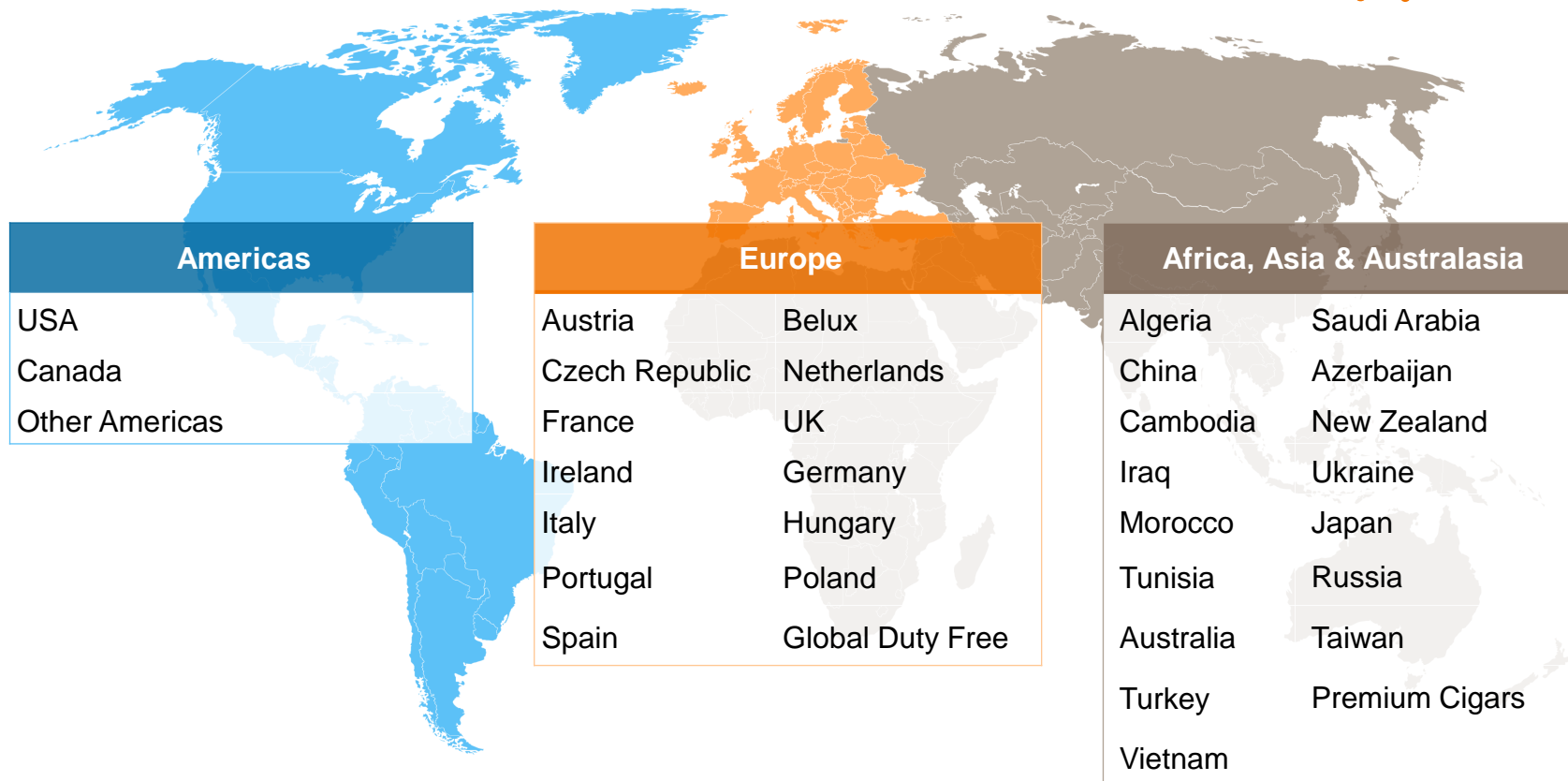
Appendices

Segmental and accounting changes



Geographic Segments from FY19

Main markets



FY18 Impact of Segmental Reporting and Accounting Changes



Current Structure

	FY18 Reported	IFRS 15	FY18 Restated
Volumes			
Returns North	86.6		86.6
Returns South	73.3		73.3
Returns Markets	159.9		159.9
Growth Markets	73.5		73.5
USA Division	22.1		22.1
Total Tobacco	255.5		255.5
Net Revenue			
Returns North	2,749	(235)	2,514
Returns South	1,515	(48)	1,467
Returns Markets	4,264	(283)	3,981
Growth Markets	1,795	(176)	1,619
USA Division	1,671	*425	2,096
Total Tobacco & NGP	7,730	33	7,697
Adjusted Operating Profit			
Returns North	1,507		1,507
Returns South	646		646
Returns Markets	2,153		2,153
Growth Markets	364		364
USA Division	1,040		1,040
Total Tobacco & NGP	3,557		3,557

* Note USA relates to MSA payments

Geographic Structure

	FY18 Restated	H118 Restated	H218 Restated
Volumes			
Europe	141.3	67.8	73.5
Americas	22.1	10.8	11.3
Africa, Asia, Australasia	92.1	45	47.1
Total Tobacco	255.5	123.6	131.9
Net Revenue			
Europe	3,527	1,618	1,909
Americas	2,242	1,018	1,224
Africa, Asia, Australasia	1,927	889	1,038
Total Tobacco & NGP	7,697	3,525	4,171
Adjusted Operating Profit			
Europe	1,699	737	962
Americas	1,014	443	571
Africa, Asia, Australasia	843	353	490
Total Tobacco & NGP	3,557	1,533	2,024

Note: IFRS 15 is expected to impact FY18 NGP revenue by c £13m

Brand Classification

Growth, Specialist & Portfolio Brands



Growth Brands

These high-quality brands have strong consumer appeal and generally well-established positions in key markets.



Specialist Brands

These have strong positions in their own categories, appealing to specific consumer groups.



Note: blu will become a Growth Brand in FY19

Portfolio Brands

The remainder of our portfolio consists of local and regional brands. These Portfolio Brands either add to our revenue generation or will be migrated into Growth Brands.

FY18 Reporting of Main Markets

Classifications as at FY18



Growth Markets

Growth Markets are characterised by large profit and/or volume pools. We typically have shares below 15 per cent and see real potential for long-term share and profit growth.

Cambodia
China
Iraq
Italy
Japan
Russia
Saudi Arabia
Taiwan
Turkey
Vietnam

US Market

We manage the US as a standalone Growth Market through our dynamic business ITG Brands.

Returns Markets

We have relatively large shares in Returns Markets, mostly above 15 per cent. We focus on managing these strong positions, whilst driving sustainable profit growth.

Returns North

Australia
Azerbaijan
Belux
Germany
Ireland
Netherlands
New Zealand
Poland
UK
Ukraine

Returns South

Algeria
Austria
Czech Republic
France
Hungary
Morocco
Portugal
Spain
Tunisia