

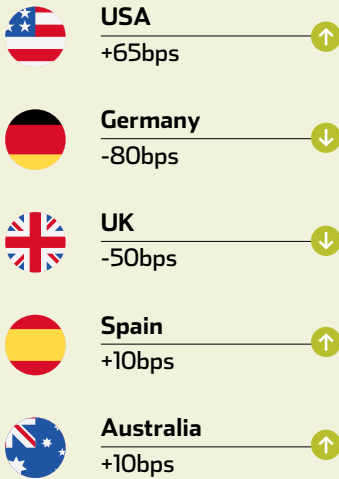


FOCUS ON OUR PRIORITY MARKETS

Focused investment in our most material combustible opportunities has driven stabilisation of our aggregate market share.

PRIORITY MARKET SHARES

12-month share



In each of these markets Imperial enjoys a top-three market position, with established brands and strong customer relationships. Growth in aggregate market share +10bps

As a challenger business, we need to channel our investment and energies towards the most material opportunities. This means a consistent laser-focus on our five largest combustible markets, which make up around 70% of our operating profits. These are the United States, Germany, the United Kingdom, Spain and Australia. Each market has attractive features. The US and Germany are both markets where cigarettes continue to be relatively affordable, creating opportunity for long-term growth.

Together these two markets account for around 50% of our operating profit. In the UK and Spain, we enjoy strong market positions supported by iconic local jewel brands, which are proving increasingly popular with consumers seeking distinctive propositions with strong heritage. In Australia, a market heavily restricted by regulation, we have opportunities to capitalise on our status as the second largest player and optimise value creation.

Each market has tightly defined priorities in marketing, distribution and portfolio management, which are subject to monthly reviews. Our strategy, launched in early 2021, defined six operational levers to improve combustible performance across the five markets, and three years on we continue to make progress on each.

1. Increase participation in premium segments: In the US, focused investment in our flagship brands Winston and Kool has led to stabilisation of our share of the premium segment after years of decline.
2. Rejuvenate local jewels: In Spain, our refresh of Nobel in 2022, including new packaging and line extensions, supported the brand gaining 30bps in FY23. In the UK, the rejuvenation of local brands Embassy and Regal led to share growth of these brands.
3. Optimise the value segment: It is important that we are able to offer consumers high-quality choices – whatever their price points. Across our markets, we have been investing in more rigorous approaches to portfolio management. In Australia, the introduction of Lambert & Butler in the fifth price tier underpinned a refresh of our pricing strategy across our brand portfolio enabling share and value growth in FY23.
4. Maximise the potential of fine cut tobacco: In Germany, where high inflation is driving downtrading, the launch of our Paramount brand grew our share of the sub-value fine cut segment.



Priority markets
account for
c.70%
of operating profit

- 5. Drive performance in under-penetrated channels: In the US our larger sales force has enabled us to increase coverage of smaller convenience stores and gas stations.
- 6. Maximise value creation through key accounts: In the US a focus on joint business plans with our key accounts underpinned out-performance of our cigarette portfolio.

Consistent progress across these six areas of focus means that, after years of sharp declines in market share, we have now reported three years of stable-to-growing aggregate market share for our priority markets. At Group level, we manage these five markets as a portfolio and therefore in any reporting period we would not expect all five to increase share. What matters is maintaining stable or growing share in aggregate over the long term.