BUSINESS PERFORMANCE

Our Global Drive Brands in 2014

Our five Global Drive Brands (GDBs) had another successful year in 2014, growing volume and share in key markets.

Share and volume

2014 GDB overall market share growth
+90bpts
bpts = basis points

2014 GDB cigarette volume growth
+5.8%

Dunhill

Volume	Market share
55bn +2.9% 2013: 54bn	+10bpts

Kent

Volume	Market share
64bn -2.8% 2013: 65bn	Flat

Lucky Strike

Volume	Market share
31bn +0.8% 2013: 31bn	+10bpts

Pall Mall

Volume	Market share
92bn +5.6% 2013: 87bn	+30bpts

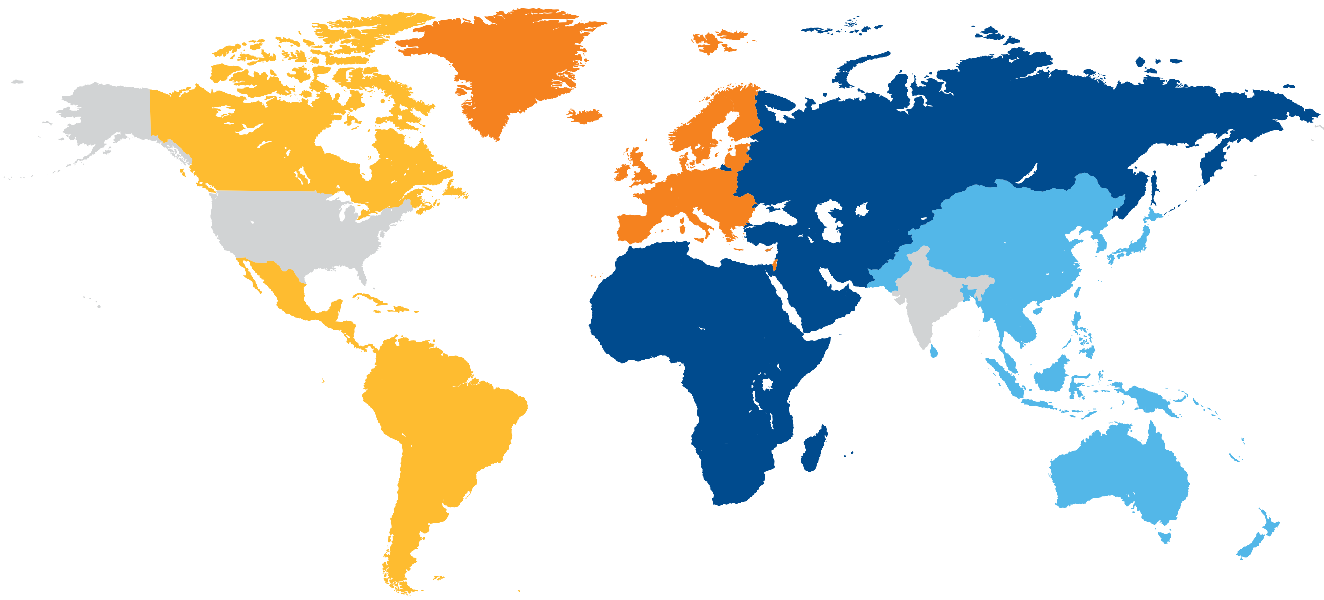
Rothmans

Volume	Market share
36bn +39.8% 2013: 26bn	+40bpts

BUSINESS PERFORMANCE

Our global performance

Adjusted profit from operations grew strongly at constant rates of exchange. As reported profit was adversely affected by exchange rate movements, the regional performance is presented at constant rates of exchange.



Asia-Pacific

Share of Group revenue

27%

Volume	Revenue At CC[2]
197bn	£4,253m
+0.1%	+1.2%
2013: 197bn	2013: £4,203m

Profit[1]	Profit[1] At CC[2]
£1,548m	£1,713m
-8.6%	+1.2%
2013: £1,693m	2013: £1,693m

Americas

Share of Group revenue

22%

Volume	Revenue At CC[2]
131bn	£3,506m
-2.3%	+5.7%
2013: 134bn	2013: £3,317m

Profit[1]	Profit[1] At CC[2]
£1,286m	£1,475m
-5.7%	+8.1%
2013: £1,364m	2013: £1,364m

Western Europe

Share of Group revenue

23%

Volume	Revenue At CC[2]
112bn	£3,546m
-5.9%	-2.4%
2013: 119bn	2013: £3,635m

Profit[1]	Profit[1] At CC[2]
£1,189m	£1,262m
-6.6%	-0.9%
2013: £1,273m	2013: £1,273m

Eastern Europe, Middle East and Africa

Share of Group revenue

28%

Volume	Revenue At CC[2]
227bn	£4,377m
+0.3%	+6.6%
2013: 226bn	2013: £4,105m

Profit[1]	Profit[1] At CC[2]
£1,380m	£1,625m
-7.4%	+9.1%
2013: £1,490m	2013: £1,490m

Notes:

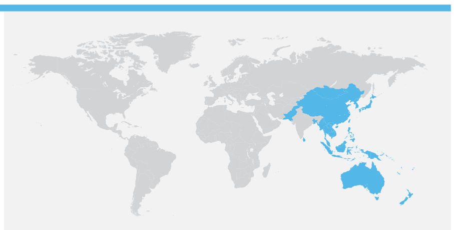
1. Profit refers to adjusted profit from operations and is derived after excluding the adjusting items from the profit from operations. These items include restructuring and integration costs, amortisation and impairment of trademarks and similar intangibles, a gain on deemed partial disposal of a trademark and a payment and release of provision relating to non-tobacco litigation (see page 44).
2. Constant currency (CC) provides the information based on a re-translation, at prior year exchange rates, of the current year information.

BUSINESS PERFORMANCE

Regional review

Asia-Pacific

Jack Bowles
Director, Asia-Pacific



Share of Group revenue

27%

2013: 27%

Adjusted profit from operations
At CC

£1,713m

+1.2%
2013: £1,693m

Asia-Pacific performed well in 2014, with stable volume and higher market share. Profit grew, at constant rates of exchange, in a number of markets demonstrating the strength of our geographic diversity. GDBs performed well and I am delighted with the continued growth of Dunhill in Indonesia, while Kent delivered a strong performance in Japan.

Adjusted profit, at current rates of exchange, was down by £145 million at £1,548 million due to a combination of adverse foreign exchange rates and a challenging pricing environment in Australia, partly offset by strong profit performances in Bangladesh, Pakistan and South Korea. At constant rates of exchange, adjusted profit increased by £20 million or 1%. Volume was in line with 2013 at 197 billion, as increases in Bangladesh, Pakistan and Indonesia offset declines in Vietnam, Australia and South Korea.

Australia

Volume was impacted by market contraction and higher illicit trade. A challenging pricing environment led to lower profit. Share was lower due to down-trading.

Malaysia

Profit was higher, driven by strong pricing more than offsetting lower volume caused by industry contraction. Share was lower due to down-trading.

Japan

Excellent growth in the Group's market share was driven by a strong performance by Kent, supported by innovations. Profit was down mainly due to negative mix.

New Zealand

Volume and share fell due to pricing activity related to excise absorption, leading to lower profit.

Bangladesh

Profit continued to increase strongly, driven by higher volume and significant share growth.

Pakistan

Pall Mall grew volume and share, further strengthening the Group's leadership position. Total volume growth and pricing underpinned a strong profit performance.

Vietnam

State Express 555 and Kent continued to grow share, but total share decreased due to share reductions in lower price segments. Profit declined reflecting lower volume, which was driven by significant growth in illicit trade and market contraction, caused by an excise-driven price increase and economic slowdown.

South Korea

Although volume declined, Dunhill maintained its share of the market. Profit increased as cost savings more than offset the impact of lower volume.

Taiwan

Pall Mall and Lucky Strike drove share to record levels. Higher volume and pricing were offset by marketing investment leading to a decline in profit.

Indonesia

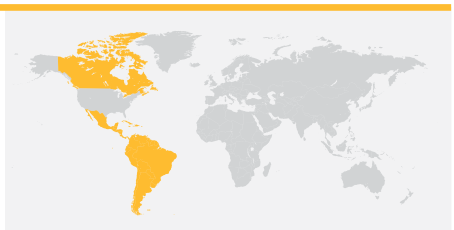
Performance continued to reflect the focus on investment. Profitability improved driven by mix, as Dunhill volume increased significantly, more than offsetting declines in the Group's local brands.

Philippines

Volume and market share were higher due to the launch of Pall Mall during the year, which further developed the portfolio following the Group's market entry in 2013.

Americas

Ricardo Oberlander
Director, Americas



Share of Group revenue

22%

2013: 22%

Adjusted profit from operations
At CC

£1,475m

+8.1%
2013: £1,364m

> We have delivered a strong performance despite industry contractions in a number of key markets. Our market share increased for the third year running, with significant growth in Mexico, Brazil and Colombia. The region delivered very robust profit growth at constant rates. Our GDBs also performed very well.

Adjusted profit, at current rates of exchange, declined by £78 million to £1,286 million, mainly due to exchange rate movements in Brazil, Canada and Venezuela. At constant rates, adjusted profit rose by £111 million or 8% driven by good performances from Brazil, Canada, Mexico, Venezuela and Chile. Volume was lower by 2.3% at 131 billion, mainly as a result of market contractions in Brazil, Canada, Chile and Argentina, partially offset by higher volume in Venezuela and Mexico.

Brazil

Market share grew to a record high, with Dunhill performing particularly well in the premium sector. Total market contraction led to an overall volume decline. Good profit growth was driven by higher pricing and cost savings.

Canada

Increases in federal and provincial excise led to lower volume. This was more than offset by higher pricing which led to increased profit.

Chile

Profit was up strongly, driven by pricing partly offset by lower volume. While Pall Mall continued to perform well, Group volume was lower due to an overall market decline and an increase in illicit trade.

Venezuela

Volume was higher, due to an excellent performance by Viceroy. Profit increased driven by volume and pricing, more than offsetting significant local inflation.

Mexico

Share and volume increased, driven by the successful roll-out of Lucky Strike additive-free and the continued growth of Pall Mall capsules. Profit was significantly higher, driven by increased volume and pricing.

Colombia

Good market share growth was driven by Kool, although industry decline led to lower volume. Profit declined due to increased marketing investment.

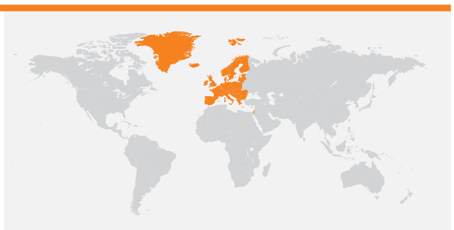
Argentina

Pricing more than offset the impact of lower volume and led to an improvement in profitability. Lucky Strike continued to deliver good share growth in the premium segment.

BUSINESS PERFORMANCE

Regional review continued

Western Europe



Share of Group revenue

23%

2013: 24%

Adjusted profit from operations
At CC

£1,262m

-0.9%
2013: £1,273m

> The business performed well despite challenging trading conditions. I am most pleased with the continued growth of our GDB and Fine Cut volume, as well as our share gains in some key markets. These positive results reflect the improving strength of our portfolio.

Adjusted profit, at current rates of exchange, declined by £84 million to £1,189 million. At constant rates the decrease would have been £11 million or 1%, reflecting continued difficult trading conditions. Increased profit in Germany, Hungary and Belgium was offset by reductions in Denmark, Italy and France. Cigarette volume was 5.9% lower at 112 billion as lower volume in Denmark, Poland, Romania, Hungary and Germany was partly offset by growth in Spain and the UK. Fine Cut volume of 21 billion sticks equivalent was up 1.7% as a result of increases in Hungary, Belgium, Luxembourg and Germany.

Germany
Higher pricing more than offset the impact of lower cigarette volume, resulting in an increase in profit for the year. Fine Cut volume continued to grow due to the performance of Pall Mall.

Switzerland
Volume and profit were lower, driven by market contraction. However, Pall Mall's share of market increased.

Italy
Although market share fell for the full year, share grew in the final quarter of the year as Rothmans continued to perform well. Volume was flat, but profit was lower following the industry absorption of a 2013 VAT increase.

Romania
Market leadership was maintained although market contraction and down-trading led to a reduction in volume and lower profit.

France
Total volume was down, driven by market contraction. Market share was higher as Lucky Strike showed good growth. Profit was lower as the industry absorbed an increase in excise.

Denmark
Total volume was lower, due to trade de-stocking following a 2013 excise stock build. Market share was lower driven by competitive pricing activity at the low end of the market. These factors led to a significant reduction in profit.

The Netherlands
Volume was higher as Lucky Strike and Pall Mall performed well. Profit was flat partly due to down-trading.

Belgium
Profit was higher due to pricing and increased volume. Share was up driven by Lucky Strike. Fine Cut volume and share also increased.

United Kingdom
Volume and share were higher due to the growth of Rothmans. Profit reduced as investment in the market increased.

Spain
Volume was higher as Lucky Strike and Pall Mall continued to grow. Profit was stable as increased marketing investment offset the benefit of higher volume.

Poland
The roll-out of a new distribution model drove higher share, especially in Pall Mall, and improved profitability. Total volume was down due to market contraction.

Eastern Europe, Middle East and Africa (EEMEA)

Johan Vandermeulen
Director, Eastern Europe, Middle East and Africa (EEMEA)

Share of Group revenue

28%

2013: 27%

Adjusted profit from operations
At CC

£1,625m

+9.1%
2013: £1,490m

"We delivered a strong performance, with higher market share, increased volume and profit growth of 9% at constant rates of exchange. We achieved this success despite political and economic instability in a number of markets. GDBs have grown driven by Rothmans in Eastern Europe and Kent in Iran, offsetting the effect of market contraction, particularly in Russia."

Adjusted profit, at current rates of exchange, decreased by £110 million to £1,380 million. A strong performance in the Middle East and good pricing across the region were offset by competitive pricing activity in a number of markets, including South Africa, and significant adverse exchange rate movements, notably in Russia, South Africa, Nigeria and Ukraine. At constant rates of exchange, profit would have increased by £135 million or 9%. Volume (at 227 billion) was slightly ahead of 2013, with growth in Iran, Turkey and Ukraine more than offsetting the effect of industry volume contraction in Russia.

Russia

Share continued to increase driven by the strong growth of Rothmans and Lucky Strike. Profit was higher driven by strong pricing and cost savings. This more than offset lower volume caused by market contraction.

South Africa

Share fell in the second half of the year, driven by competitor pricing activity in the low price segment. Profit was lower as economic weakness and down-trading were not fully offset by pricing and significant cost reduction programmes.

The GCC

Profit continued to increase as pricing, supported by strong growth in John Player Gold Leaf, more than offset lower Dunhill volume. Total market share declined.

Nigeria

Profit was up driven by cost savings and higher Benson & Hedges volume, although total volume was lower.

Iran

A very strong performance by Kent led to significantly higher volume and an increase in profit.

Ukraine

Higher volume driven by Rothmans underpinned excellent growth in share. Profit was up driven by robust pricing and increased volume.

Turkey

Volume growth and stable share were driven by excellent performances by Kent and Viceroy. Significant price competition in the market led to lower profit.

Egypt

A good performance by Viceroy was more than offset by lower Rothmans volume, while excise changes led to down-trading, which adversely affected profit.