



**BRITISH AMERICAN
TOBACCO**

HALF-YEARLY RESULTS 2013

31st July 2013



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NICANDRO DURANTE

Chief Executive

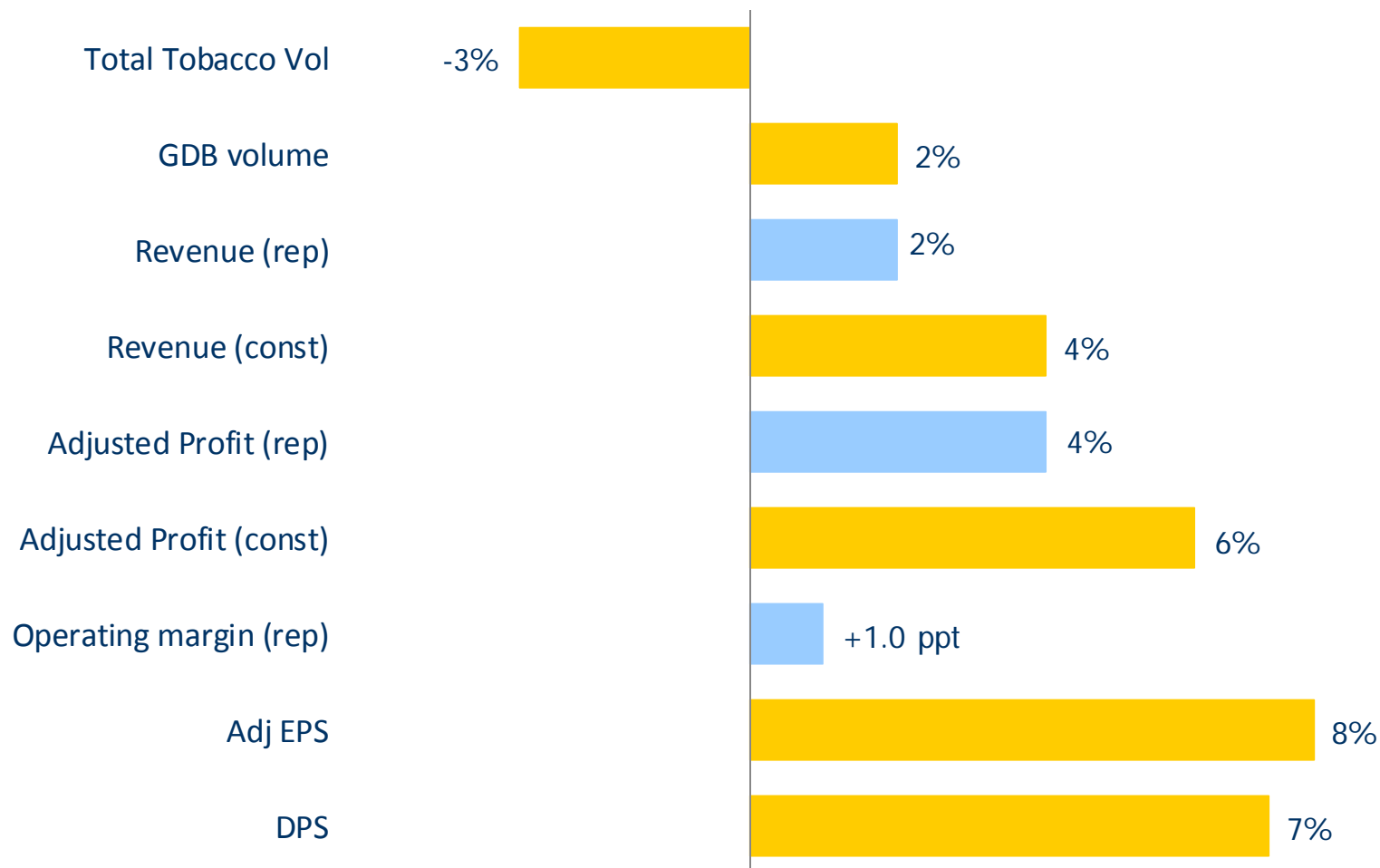


HALF-YEARLY RESULTS 2013

Delivering the strategy



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HALF-YEARLY RESULTS 2013

Global Drive Brands



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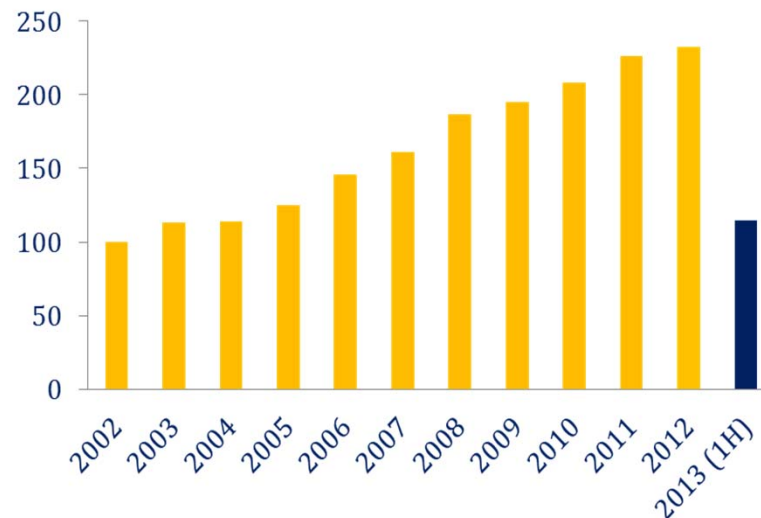


- Volume: 25.1 billion
- Share +0.2ppt
- Good share performances in Indonesia, Chile, Romania, Malaysia and the GCC
- Share growing in South Korea

KENT[®]

- Volume: 31.7 billion
- Share flat
- Volumes impacted by industry declines in Romania and Russia
- Growth in other Eastern European markets

Global Drive Brand Volume



- GDB volume: 114 bns, +2%
- International brands: 188 bns, +2%
- Premium volume: -2%
- Below premium volume: -4%

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Global Drive Brands

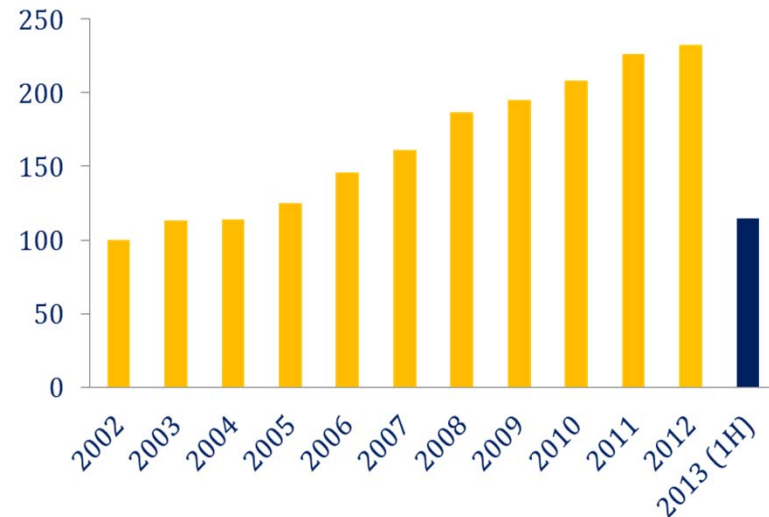


- Volume: 14.8 billion
- Share +0.1ppt
- Good share growth in Western Europe

PALL MALL

- Volume: 42.7 billion
- Share +0.2ppt
- Good growth across the regions
- Pall Mall Fine Cut no 1 in Western Europe

Global Drive Brand Volume



- GDB volume: 114 bns, +2%
- International brands: 188 bns, +2%
- Premium volume: -2%
- Below premium volume: -4%

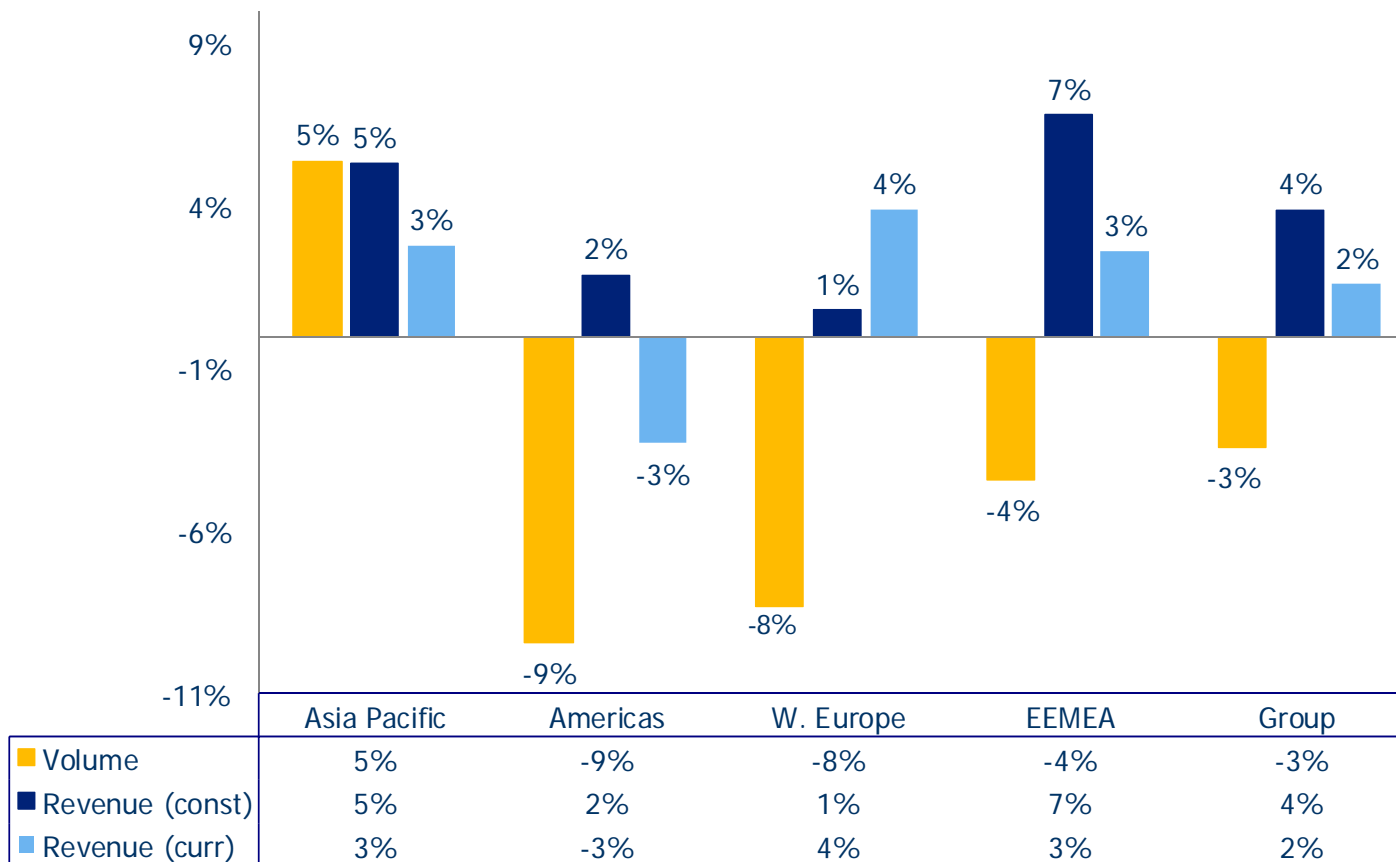


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Volumes and Revenue



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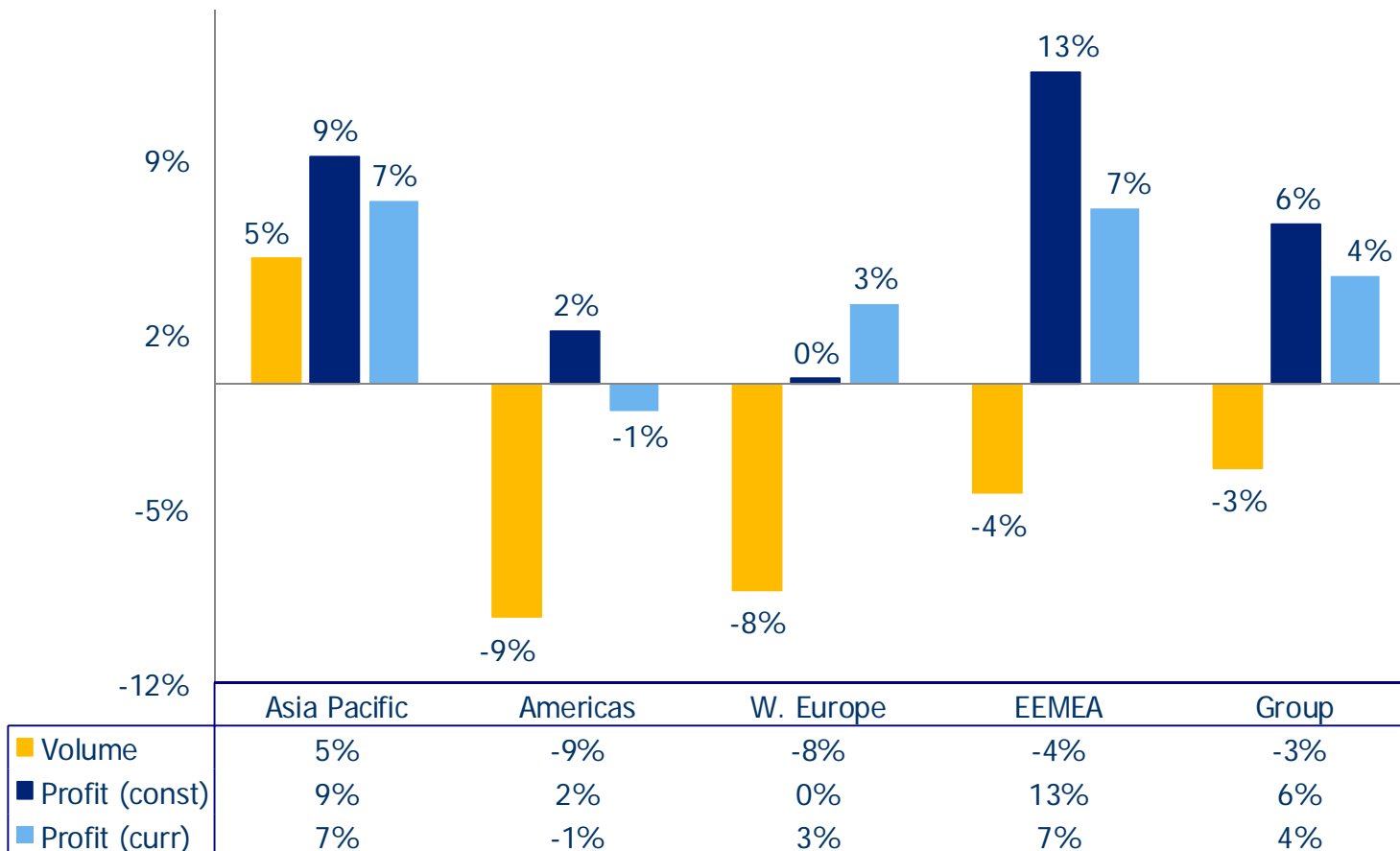


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Volumes and Profit



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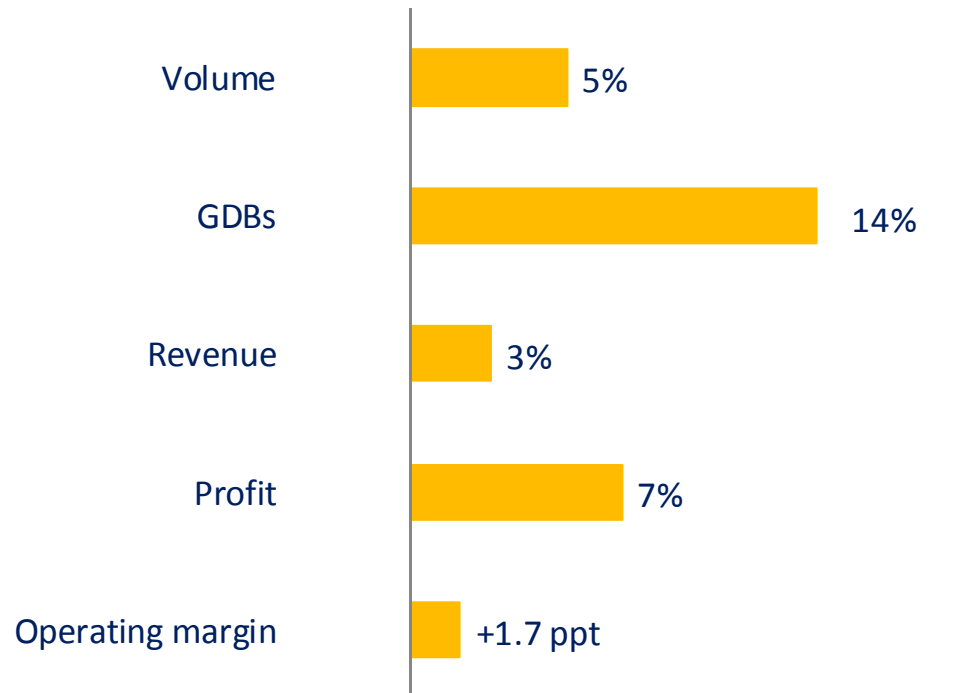
Asia-Pacific



Profit growth Australia, Pakistan, Vietnam, Taiwan and Bangladesh

Strong GDB performance

Strong performance from Indonesia, with increasing volume and stabilisation of share



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Americas



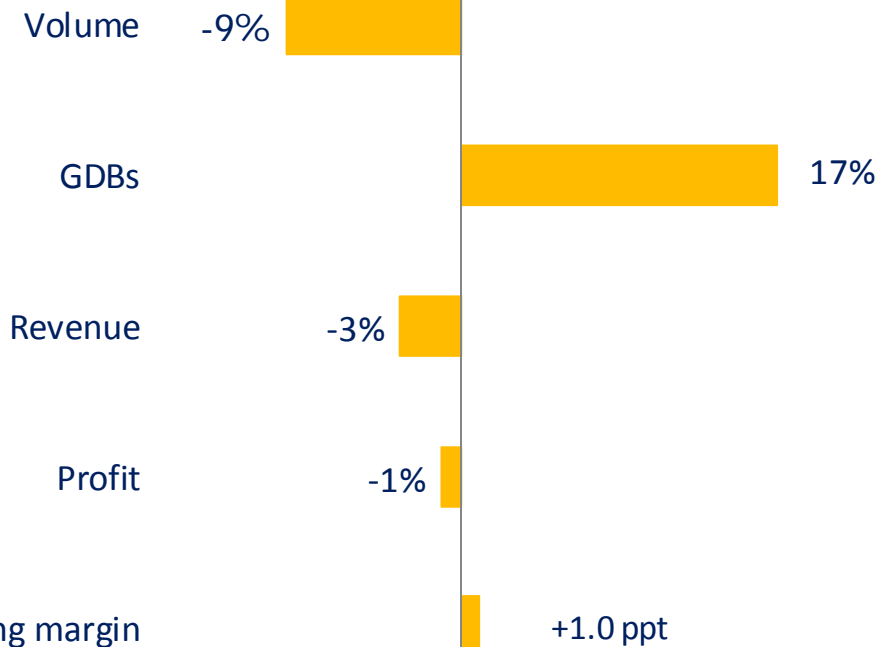
Profit across the region impacted by FX

Volume reduction mainly due to declining industry volumes in Brazil

Good share growth driven by Brazil, Canada, Mexico and Venezuela

Strong GDB performance

Operating margin



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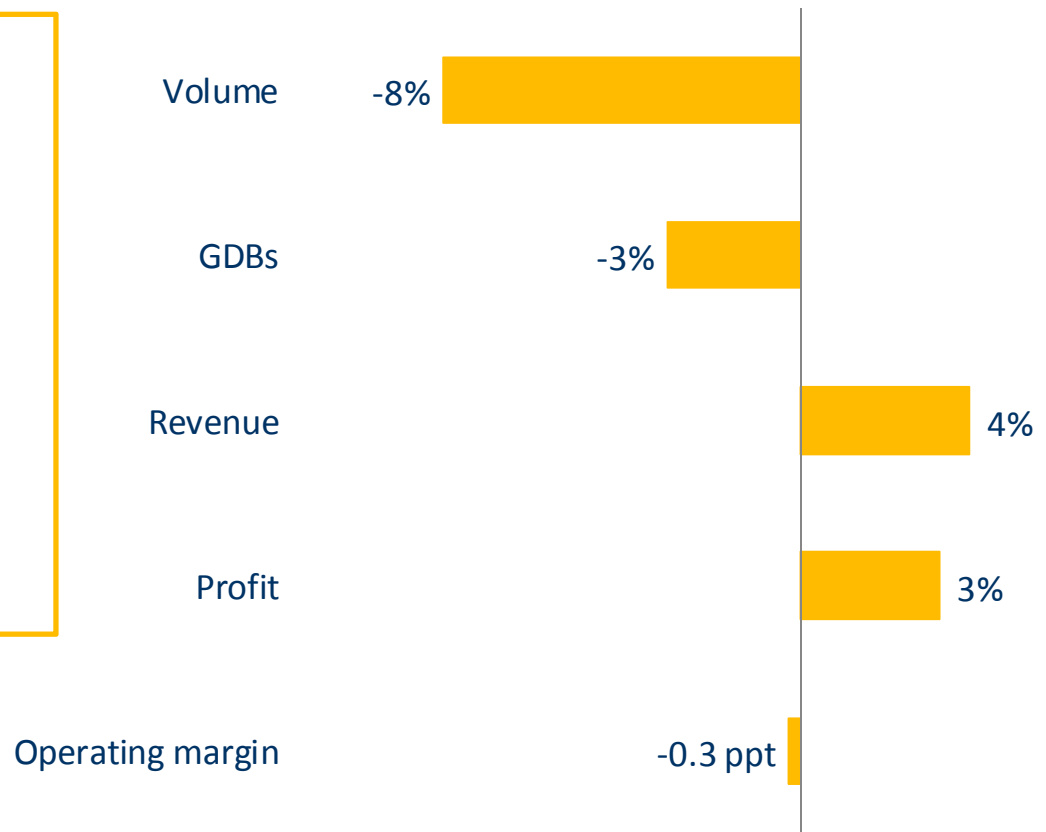
Western Europe



Difficult economic environment resulted in significant market contractions across the region

Grew both profit and share in the Fine Cut segment

Good profit growth from France, Switzerland, UK, and Sweden



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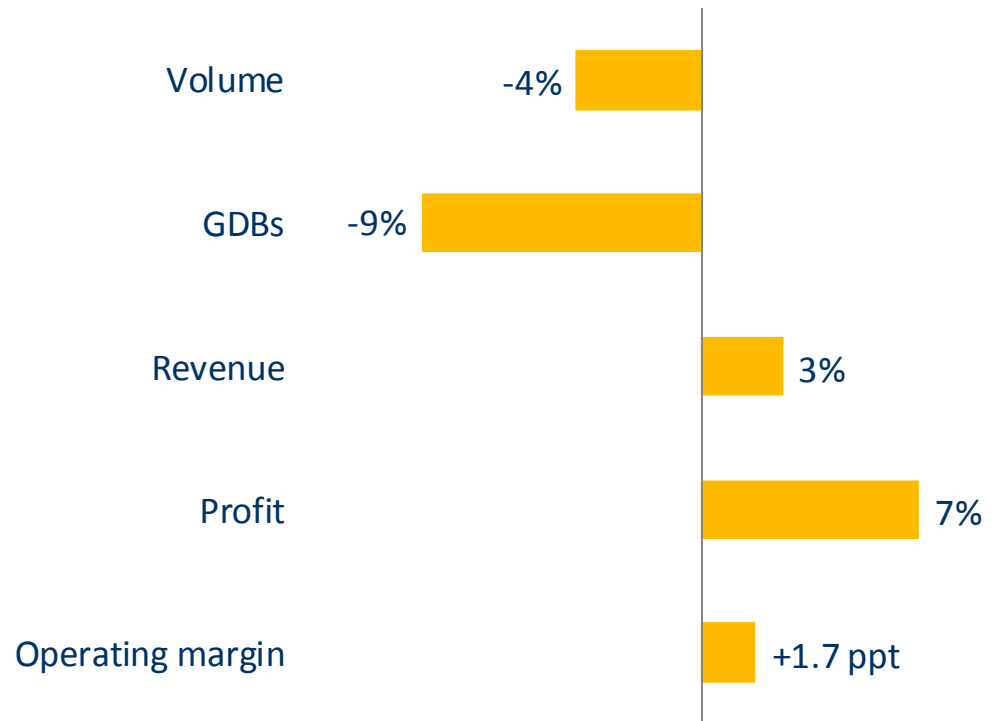
Eastern Europe, Middle East and Africa



Strong profit performance in the region driven by higher pricing

Volumes declined due to Turkey, Ukraine and Egypt

Maintained leadership of the premium segment in Russia



BEN STEVENS

Finance Director and
Chief Information Officer

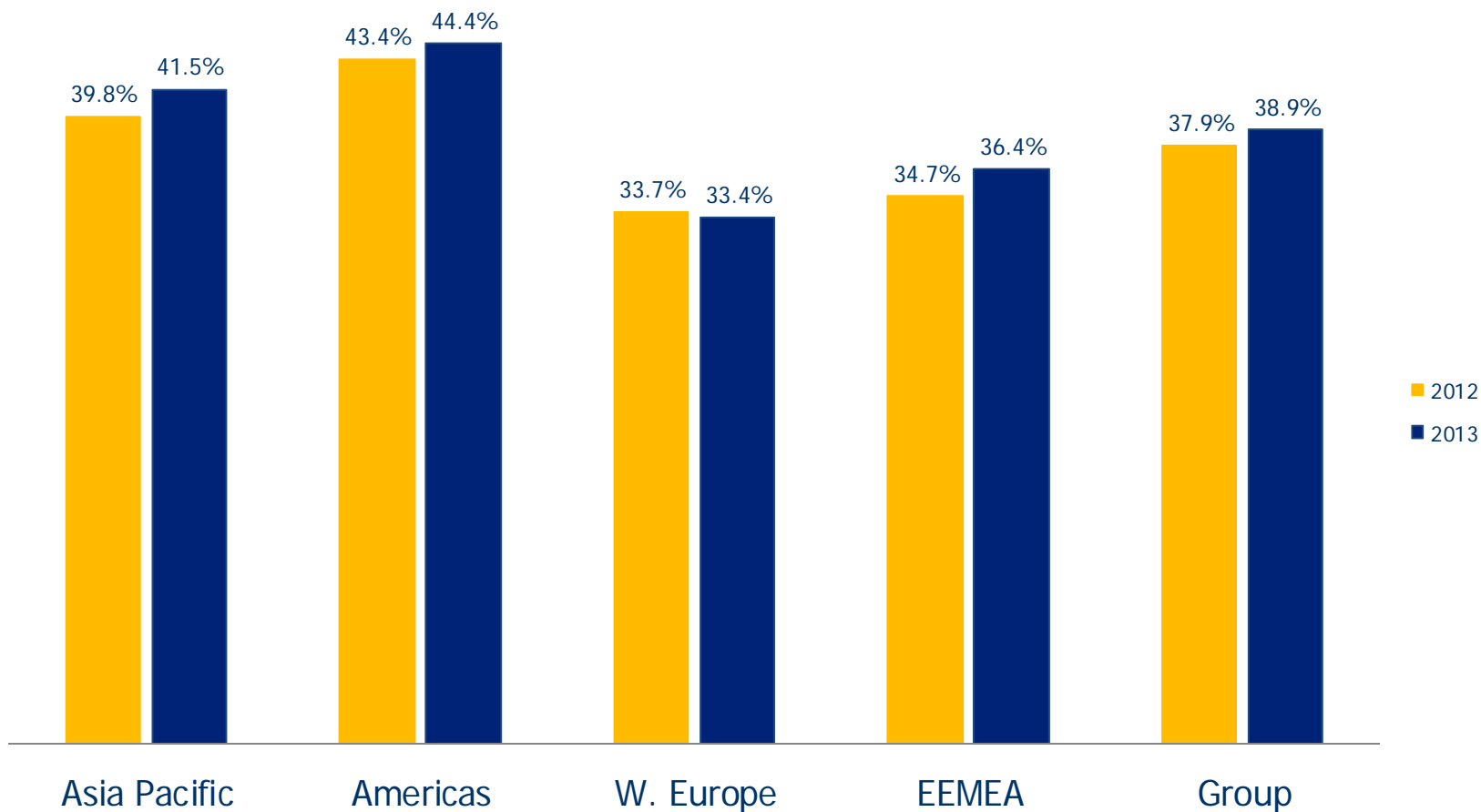


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Operating Margin



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* Based on adjusted profit

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Profit from operations – adjusting items



	£m		
	2013	2012	% change
Adjusted profit	2,944	2,821	+4%
Restructuring & integration costs	(97)	(68)	
Amortisation of trademarks	(40)	(31)	
Profit from operations	2,807	2,722	+3%

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Profit before tax



	£m		
	2013	2012	% change
Profit from operations	2,807	2,722	+3%
Net finance costs	(241)	(211)	-14%
Associates	425	336	+26%
Profit before tax	2,991	2,847	+5%

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Net finance costs



	£m	£m	
	2013	2012	Variance
Interest payable	(302)	(283)	-7%
Investment income	24	50	-52%
Fair value/exchange	37	22	+68%
Net finance costs	(241)	(211)	-14%

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Taxation and profit for the period



	£m		
	2013	2012	% change
Profit before tax	2,991	2,847	+5%
Taxation	(803)	(782)	-3%
Profit for the period	2,188	2,065	+6%

Underlying tax rate was 30.5% (2012: 30.8%)

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Non-controlling interests and adjusted EPS



Profit attributable to	£m		
	2013	2012	% change
Shareholders' equity	2,040	1,908	+7%
Non-controlling interests	148	157	-6%
Profit for the period	2,188	2,065	+6%
Adjusted Profit for the period	2,096	1,987	+5%
Number of shares	1,922 m	1,961 m	
Adjusted EPS	109.1p	101.3p	+8%

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Drivers of adjusted EPS growth



	Pence	%
EPS 2012 (p)	101.3	
Profit performance	6.4	6%
Net finance costs	-0.1	0%
Associates	1.6	2%
Taxation	0.5	1%
Non-controlling interests	0.2	0%
Share buy-back	1.2	1%
Exchange	-2.0	-2%
EPS 2013 (p)	109.1	8%

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Cash flow



	2013	2012
	£m	£m
Adjusted profit from operations	2,944	2,821
Non cash items	241	217
Increase in working capital	(1,156)	(1,159)
Net capital expenditure	(189)	(190)
Operating cash flow	1,840	1,689
Pension Funds – Shortfall Funding	(70)	(70)
Net interest paid	(274)	(253)
Tax paid	(730)	(708)
Dividends paid to non-controlling interests	(154)	(135)
Restructuring costs	(92)	(95)
Dividends and other appropriations from associates	292	293
Free cash flow	812	721

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Cash flow



	2013	2012
	£m	£m
Free cash flow	812	721
Dividends paid to shareholders	(1,765)	(1,723)
Share buy-back	(612)	(536)
Net investment activities	(17)	(27)
Other net flows	(98)	(85)
Net cash flow	(1,680)	(1,650)

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Net debt



	2013	2012
	£m	£m
Opening net debt at 1 January	(8,473)	(7,928)
Net cash flow for the period	(1,680)	(1,650)
Exchange rate effects / accrued interest	(395)	183
Net debt at 30 June	(10,548)	(9,395)



HALF-YEARLY RESULTS 2013



- Good underlying results
 - Adjusted EPS 8% higher at 109.1p
 - Proposed dividend per share 7% higher at 45 pence
 - Continued good pricing
 - Growing market share
 - FX headwinds and industry volume pressure
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Thank you for watching the webcast.

The Q&A session will commence shortly.

Thank you for your patience.





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SUPPLEMENTARY SLIDES

Half-yearly results 2013

HALF-YEARLY RESULTS 2013

Volumes by region H1 2013



Region	Billions		
	2013	2012	% change
Asia Pacific	100	95	+5%
Americas	64	71	-9%
Western Europe	57	62	-8%
Eastern Europe, Middle East and Africa	111	116	-4%
Group	332	344	-3%

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Volumes by region Q2 2013



Region	Billions		
	2013	2012	% change
Asia Pacific	52	50	+5%
Americas	32	34	-4%
Western Europe	31	33	-6%
Eastern Europe, Middle East and Africa	57	61	-7%
Group	172	178	-3%

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Revenue by region H1 2013



Region	£m		
	2013	2012	% change
Asia Pacific	2,108	2,050	+3%
Americas	1,650	1,706	-3%
Western Europe	1,714	1,649	+4%
Eastern Europe, Middle East and Africa	2,100	2,047	+3%
Group	7,572	7,452	+2%

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Adjusted profit from operations H1 2013



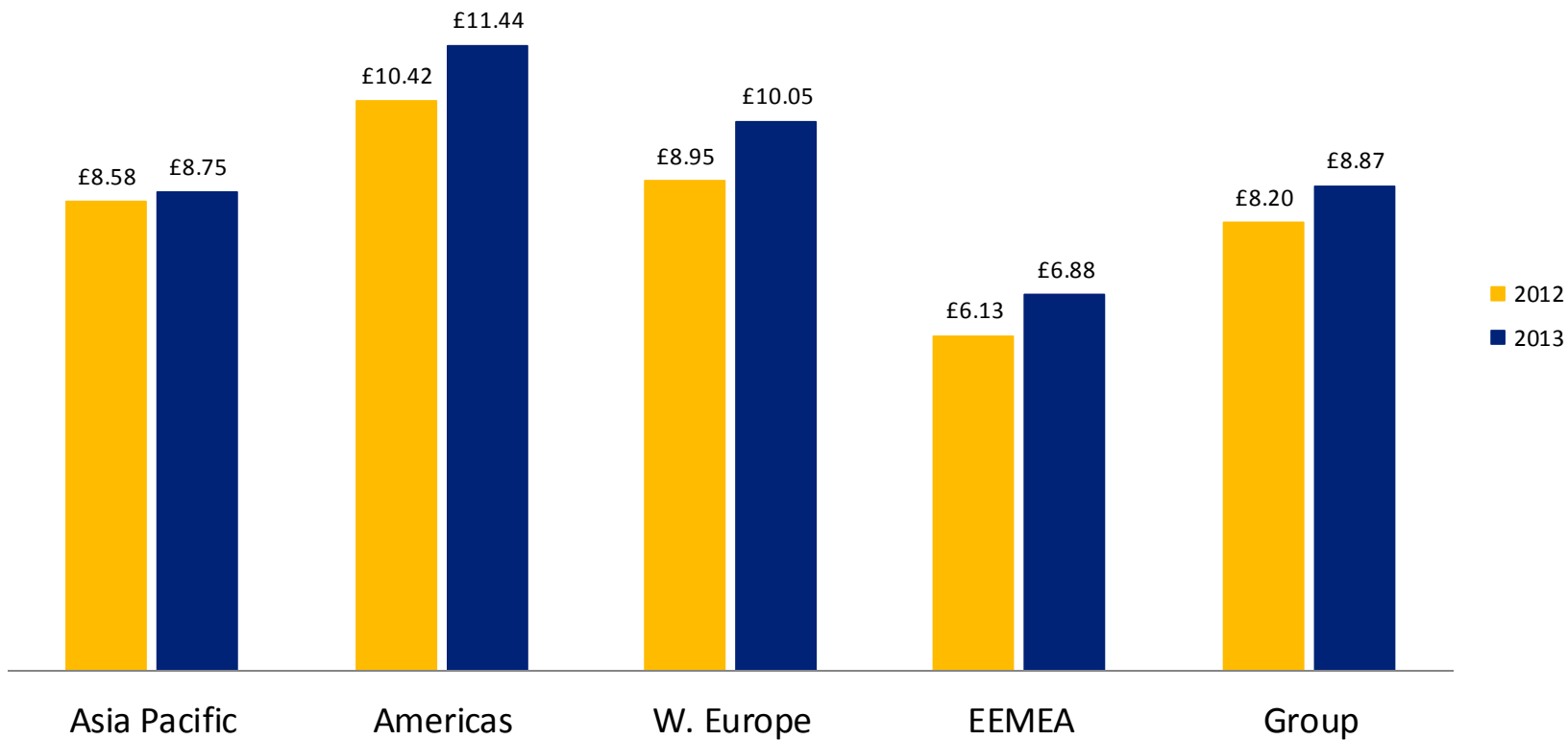
Region	£m		
	2013	2012	% change
Asia Pacific	875	815	+7%
Americas	732	740	-1%
Western Europe	573	555	+3%
Eastern Europe, Middle East and Africa	764	711	+7%
Group	2,944	2,821	+4%

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Margins: profit per mille



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Foreign currencies



	Average		Closing	
	2013	2012	2013	2012
US dollar	1.544	1.577	1.517	1.568
Canadian dollar	1.568	1.586	1.600	1.599
Euro	1.176	1.216	1.167	1.236
South African rand	14.221	12.521	15.057	12.828
Brazilian real	3.139	2.941	3.351	3.166
Australian dollar	1.523	1.528	1.657	1.530
Russian rouble	47.915	48.255	49.790	50.876
Japanese yen	147.400	125.689	150.661	125.147
Indian rupee	84.922	82.267	90.130	87.574