INTERIM RESULTS 2014
30th July 2014
Nicandro Durante
Chief Executive
**INTERIM RESULTS 2014**

**Financials**

<table>
<thead>
<tr>
<th>Category</th>
<th>Current</th>
<th>Constant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£6.8bn</td>
<td>£6.8bn</td>
</tr>
<tr>
<td>Profit</td>
<td>£2.7bn</td>
<td>£2.7bn</td>
</tr>
<tr>
<td>Margin</td>
<td>39.2%</td>
<td>39.7%</td>
</tr>
<tr>
<td>EPS</td>
<td>101.8p</td>
<td>104.5p</td>
</tr>
</tbody>
</table>

**Volume**

<table>
<thead>
<tr>
<th>Category</th>
<th>Current</th>
<th>Constant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes</td>
<td>331bn</td>
<td>331bn</td>
</tr>
<tr>
<td>Total Tobacco</td>
<td>344bn</td>
<td>346bn</td>
</tr>
<tr>
<td>GDBs</td>
<td>134bn</td>
<td>138bn</td>
</tr>
<tr>
<td>Total IBs</td>
<td>193bn</td>
<td>196bn</td>
</tr>
</tbody>
</table>

A good underlying performance
Regional performance*

### Cigarette Volume

- **AsPac**: 3.6%
- **Amr**: -1.0%
- **WE**: 0.4%
- **EEMEA**: -0.4%
- **Group**: -8.1%

**FX impact**
- As reported: -13.7%
- Amr: -6.3%
- WE: -8.5%
- EEMEA: -11.0%
- Group: -10.2%

**As reported**
- AsPac: 5.1%
- Amr: 4.7%
- WE: 4.0%
- EEMEA: 2.7%
- Group: 7.2%

**Profit**
- AsPac: 5.8%
- Amr: 3.7%
- WE: 4.1%
- EEMEA: 7.2%
- Group: 4.1%

**FX impact**
- As reported: -13.6%
- Amr: -17.3%
- WE: -16.3%
- EEMEA: -11.2%
- Group: -13.6%

*At constant rates of exchange*
INTERIM RESULTS 2014

Foreign exchange

EPS 2013: 109.1p
Business performance: 8.0%
Exchange: 14.7%
EPS 2014: 101.8p
INTERIM RESULTS 2014

Asia Pacific – Regional Performance

**Financials**

**Constant**
- Revenue: £2,216m, 5.1% increase
- Profit: £926m, 5.8% increase

**Current**
- Revenue: 8.3% decrease
- Profit: 8.5% decrease

**Volume**

- Cigarettes: 104bn, 3.6% increase
- GDBs: 41bn, 9.2% increase
Americas – Regional Performance

**Financials**

- **Revenue**: £1,728m (4.7% increase, 14.2% decrease)
- **Profit**: £759m (3.7% increase, 13.7% decrease)

**Volume**

- **Cigarettes**:
  - 63bn (13.6% increase)
  - 17bn (1.0% decrease)

**INTERIM RESULTS 2014**
INTERIM RESULTS 2014

Western Europe – Regional Performance

**Financials**

**Revenue**
- £1,651m
- 3.7% (Constant) 7.6% (Current)

**Profit**
- £562m
- 1.9% (Constant) 6.3% (Current)

**Volume**

- Cigarettes 52bn: 8.1%
- Total Tobacco 63bn: 7.1%
- GDB 30bn: 3.5%
EEMEA – Regional Performance

**Financials**

- **Revenue**: £2,185m (4.0% up, 11.0% down)
- **Profit**: £819m (7.2% up, 9.0% down)

**Volume**

- **Cigarettes**: 112bn (0.4% up)
- **GDB**: 46bn (6.8% up)
Drivers of margin growth:

- Pricing in key markets: Australia, Brazil, Russia
- Cost savings across the Group

Offset by

- Adverse transactional FX
- Higher investment in strategic markets
- Increased focus on Next Generation products
Drivers of adjusted EPS growth

- Profit Performance: +4.4p
- Net Finance Costs: +1.4p
- Associates: +1.3p
- Taxation: +0.3p
- Non-controlling interest: -0.7p
- Share Buy-Back: +2.0p
- Exchange: -16.0p

Net Profit 2014: 101.8p

Comparison with 2013:

- EPS 2013: 109.1p
- EPS 2014: 101.8p
INTERIM RESULTS 2014

Cash flow

Adj operating profit
Non cash items
Working Capital chg
Net Capex
Pension fds - s’fall funding
Net interest
Tax
Dividends to NCI
Restructuring
Div from associates
Free cash flow

£2,665m
£196m
£916m
£263m
£70m
£288m
£711m
£143m
£175m
£272m
£567m
Shareholder returns/Investments

- Interim dividend increases 5.5% (in line with 2013 EPS growth)
- Committed to increasing the final dividend despite FX impact on EPS
- Further investment to maintain 42% holding in new enlarged RAI
- Reynolds/Lorillard deal expected to be mildly accretive in first year
Nicandro Durante
Chief Executive
Key highlights

• Improving volume trends

• Good revenue growth
Key highlights

• Improving volume trends
• Good revenue growth
• Strong share growth driven by innovations
Key highlights

- Improving volume trends
- Good revenue growth
- Strong share growth driven by innovations
- Strong GDB performance
Global Drive Brands

GDB Volume 2009 - 2014

- GDB volume: 134 bns, +5.7%
- Total International brands: 193 bns, +2.6%
- Premium volume: -3%

Volume: 26 billion, up 4.9%
Share up 0.1ppt in T40
Strong volume and share growth in Indonesia, Brazil and Romania
Global Drive Brands

- GDB volume: 134 bns, +5.7%
- Total International brands: 193 bns, +2.6%
- Premium volume: -3%

- Volume: 31 billion, down 2.9%
- Share flat in T40
- Impacted by market declines in Russia
- Growth in the Middle East and Japan
- Innovations growing strongly
INTERIM RESULTS 2014

Global Drive Brands

- GDB volume: 134 bns, +5.7%
- Total International brands: 193 bns, +2.6%
- Premium volume: -3%

- Volume: 14 billion, down 1.9%
- Share flat in T40
- Market contraction in WE
- Strong performance in Mexico and Spain
- Innovations account for 32% of volume
GDB volume: 134 bns, +5.7%

Total International brands: 193 bns, +2.6%

Premium volume: -3%

Volume: 46 billion, up 7.6%
Share up 0.2ppt in T40
Strong performance in Pakistan and Americas
Pall Mall Fine Cut No 1 brand in Western Europe
Global Drive Brands

GDB Volume 2009 - 2014

- GDB volume: 134 bns, +5.7%
- Total International brands: 193 bns, +2.6%
- Premium volume: -3%

- Volume: 16 billion, up 32.8%
- Share up 0.3ppt in T40
- Strong performance in EEMEA and Western Europe
- Great momentum of slimmer innovations in Eastern Europe
Key highlights

• Improving volume trends

• Good revenue growth

• Strong share growth driven by innovations

• Strong GDB performance

• Holding maintained in larger, more competitive RAI
Key highlights

• Improving volume trends

• Good revenue growth

• Strong share growth driven by innovations

• Strong GDB performance

• Holding maintained in larger, more competitive RAI

• Good progress on NGPs
Summary

- Business is performing well
- Good underlying constant currency performance
- Volume improving
- Strong share growth
- Good pricing
- Continued margin expansion
- Significant currency headwinds
- On track for high single figure constant currency earnings growth
SUPPLEMENTARY SLIDES

30th July 2014
## Cigarette volumes by region HY 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>Billions</th>
<th>2014</th>
<th>2013</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td></td>
<td>104</td>
<td>100</td>
<td>+4%</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td>63</td>
<td>64</td>
<td>-1%</td>
</tr>
<tr>
<td>Western Europe</td>
<td></td>
<td>52</td>
<td>57</td>
<td>-8%</td>
</tr>
<tr>
<td>Eastern Europe, Middle East and Africa</td>
<td></td>
<td>112</td>
<td>111</td>
<td>+0%</td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td>331</td>
<td>332</td>
<td>-0%</td>
</tr>
</tbody>
</table>
## Cigarette volumes by region Q2 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>Billions</th>
<th>2014</th>
<th>2013</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td></td>
<td>53</td>
<td>52</td>
<td>+3%</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td>32</td>
<td>32</td>
<td>-0%</td>
</tr>
<tr>
<td>Western Europe</td>
<td></td>
<td>29</td>
<td>31</td>
<td>-7%</td>
</tr>
<tr>
<td>Eastern Europe, Middle East and Africa</td>
<td></td>
<td>59</td>
<td>58</td>
<td>+2%</td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td>173</td>
<td>173</td>
<td>+0%</td>
</tr>
</tbody>
</table>
Revenue by region HY 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>£m</th>
<th>2014</th>
<th>2013</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>1,932</td>
<td>2,108</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>1,415</td>
<td>1,650</td>
<td>-14%</td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>1,583</td>
<td>1,714</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Eastern Europe, Middle East and Africa</td>
<td>1,868</td>
<td>2,100</td>
<td>-11%</td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>6,798</td>
<td>7,572</td>
<td>-10%</td>
<td></td>
</tr>
</tbody>
</table>

All numbers as reported
### Adjusted profit from operations HY 2014

<table>
<thead>
<tr>
<th>Region</th>
<th>£m</th>
<th>2014</th>
<th>2013</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>801</td>
<td>875</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>632</td>
<td>732</td>
<td>-14%</td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>537</td>
<td>573</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td>Eastern Europe, Middle East and Africa</td>
<td>695</td>
<td>764</td>
<td>-9%</td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>2,665</td>
<td>2,944</td>
<td>-9%</td>
<td></td>
</tr>
</tbody>
</table>
## Foreign currencies

<table>
<thead>
<tr>
<th></th>
<th>Average 2014</th>
<th>Average 2013</th>
<th>Closing 2014</th>
<th>Closing 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>1.669</td>
<td>1.544</td>
<td>1.710</td>
<td>1.517</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>1.830</td>
<td>1.568</td>
<td>1.821</td>
<td>1.600</td>
</tr>
<tr>
<td>Euro</td>
<td>1.218</td>
<td>1.176</td>
<td>1.249</td>
<td>1.167</td>
</tr>
<tr>
<td>South African rand</td>
<td>17.855</td>
<td>14.221</td>
<td>18.191</td>
<td>15.057</td>
</tr>
<tr>
<td>Brazilian real</td>
<td>3.833</td>
<td>3.139</td>
<td>3.769</td>
<td>3.351</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>1.825</td>
<td>1.523</td>
<td>1.812</td>
<td>1.657</td>
</tr>
<tr>
<td>Russian rouble</td>
<td>58.433</td>
<td>47.915</td>
<td>58.224</td>
<td>49.790</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>171.005</td>
<td>147.400</td>
<td>173.216</td>
<td>150.661</td>
</tr>
<tr>
<td>Indian rupee</td>
<td>101.454</td>
<td>84.922</td>
<td>102.839</td>
<td>90.130</td>
</tr>
</tbody>
</table>