



PRELIMINARY RESULTS 2013

27th February 2014





Nicandro Durante

Chief Executive

PRELIMINARY RESULTS 2013

Summary

Financials

Current

Constant

Revenue

£15.3bn

0.5%

4.2%

Profit

£5.8bn

3.2%

7.1%

Margin

38.1%

1.0pp

1.1pp

EPS

216.6p

5.6%

9.5%

Volume

Cigarettes

676bn

2.7%

Total Tobacco

703bn

2.6%

GDBs

237bn

1.9%

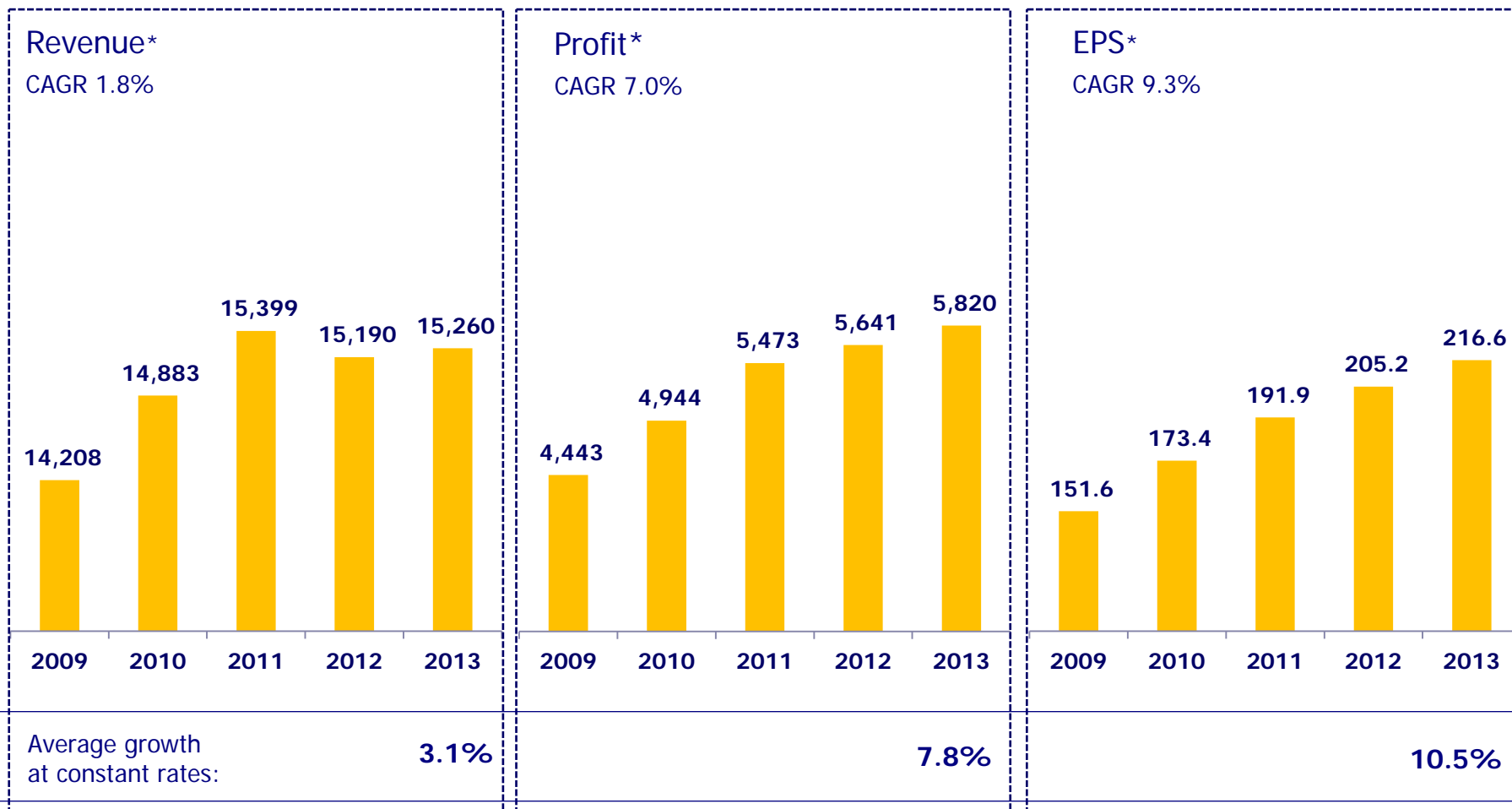
Total IBs

385bn

2.1%

A very strong financial performance in a tough economic environment

Consistent performance over the past 5 years



* As reported (prior years restated for IAS19), at current rates

£15bn returned to shareholders since 2009

£bn, Current FX	2009	2010	2011	2012	2013	Total
Free Cash Flow	2.6	3.2	3.3	3.3	3.4	15.8
Dividends Paid	1.8	2.1	2.4	2.5	2.6	11.4
Share Buy-Back	0.0	0.0	0.8	1.3	1.5	3.6
Total Shareholder Returns	1.8	2.1	3.2	3.8	4.1	15.0
Total Shareholder Returns as % of FCF	69%	66%	97%	115%	121%	95%



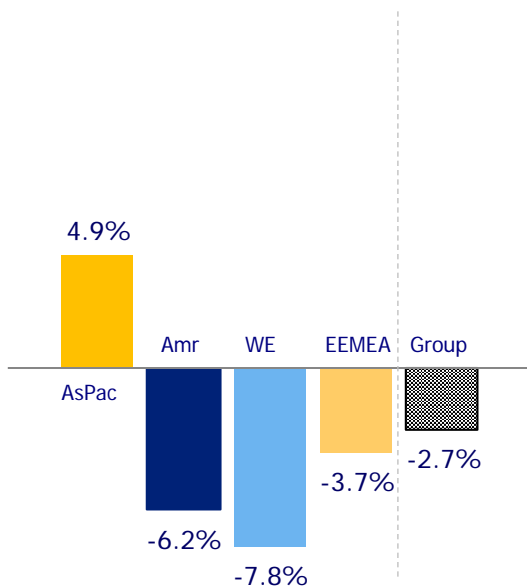
Ben Stevens

Finance Director

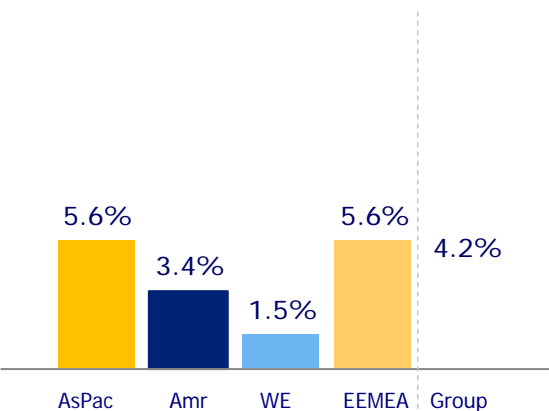


Regional performance*

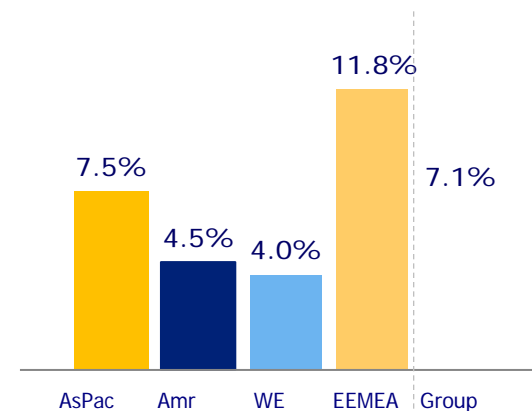
Cigarette Volume



Revenue



Profit

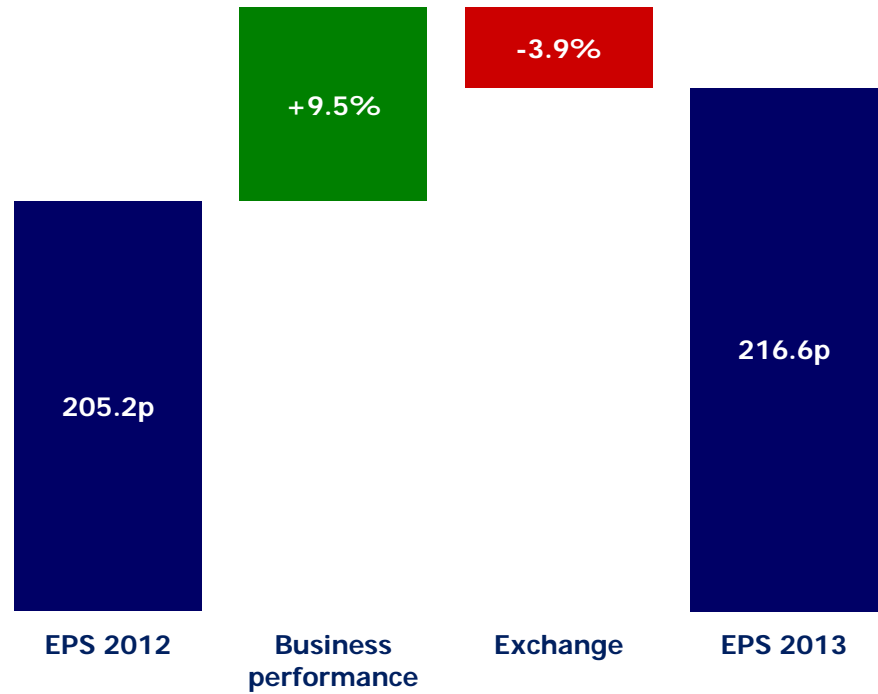
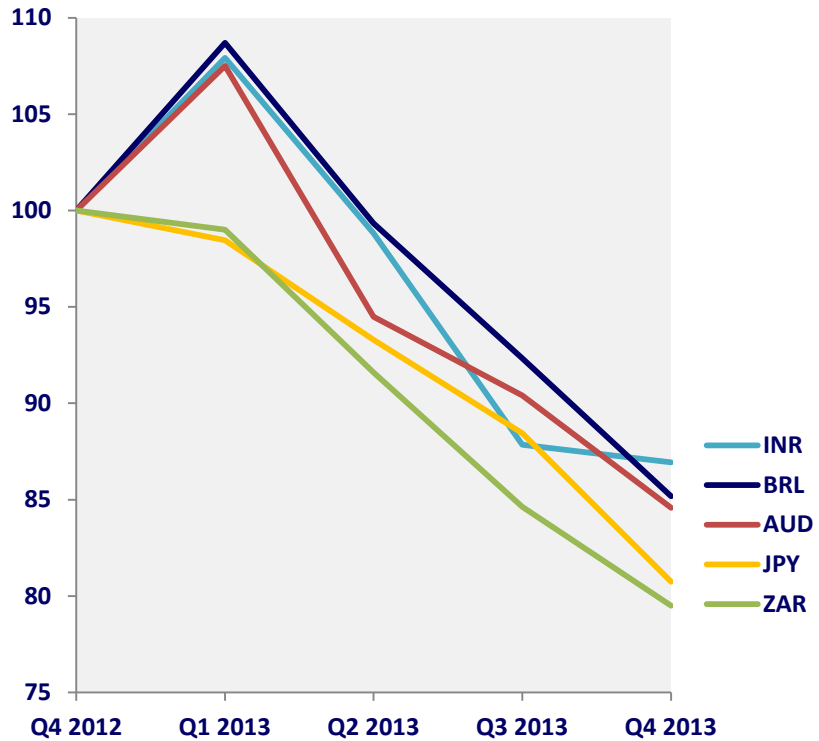


	AsPac	Amr	WE	EEMEA	Group
FX impact	-5.9%	-7.5%	+4.1%	-4.8%	-3.7%
As reported	-0.3%	-4.1%	+5.6%	+0.8%	+0.5%

	AsPac	Amr	WE	EEMEA	Group
FX impact	-5.7%	-6.4%	+4.3%	-6.3%	-3.9%
As reported	+1.8%	-1.9%	+8.3%	+5.5%	+3.2%

*At constant rates of exchange

Foreign exchange



PRELIMINARY RESULTS 2013

Asia Pacific – Regional Performance

Financials

Constant

Current

Revenue

£4,448m

5.6%

0.3%

Profit

£1,787m

7.5%

1.8%

Volume

Cigarettes

197bn

4.9%

GDBs

75bn

12.5%

Americas – Regional Performance

Financials

Constant

Current

Revenue

£3,579m

3.4%

4.1%

Profit

£1,453m

4.5%

1.9%

Volume

Cigarettes

134bn

6.2%

GDB

32bn

12.3%

Western Europe – Regional Performance

Financials

Constant

Current

Revenue

£3,493m

1.5%

5.6%

Profit

£1,222m

4.0%

8.3%

Volume

Cigarettes

119bn

7.8%

Total Tobacco

141bn

6.5%

GDB

63bn

6.2%

PRELIMINARY RESULTS 2013

EEMEA – Regional Performance

Financials

Constant

Current

Revenue

£4,302m

5.6%

0.8%

Profit

£1,579m

11.8%

5.5%

Volume

Cigarettes

226bn

3.7%

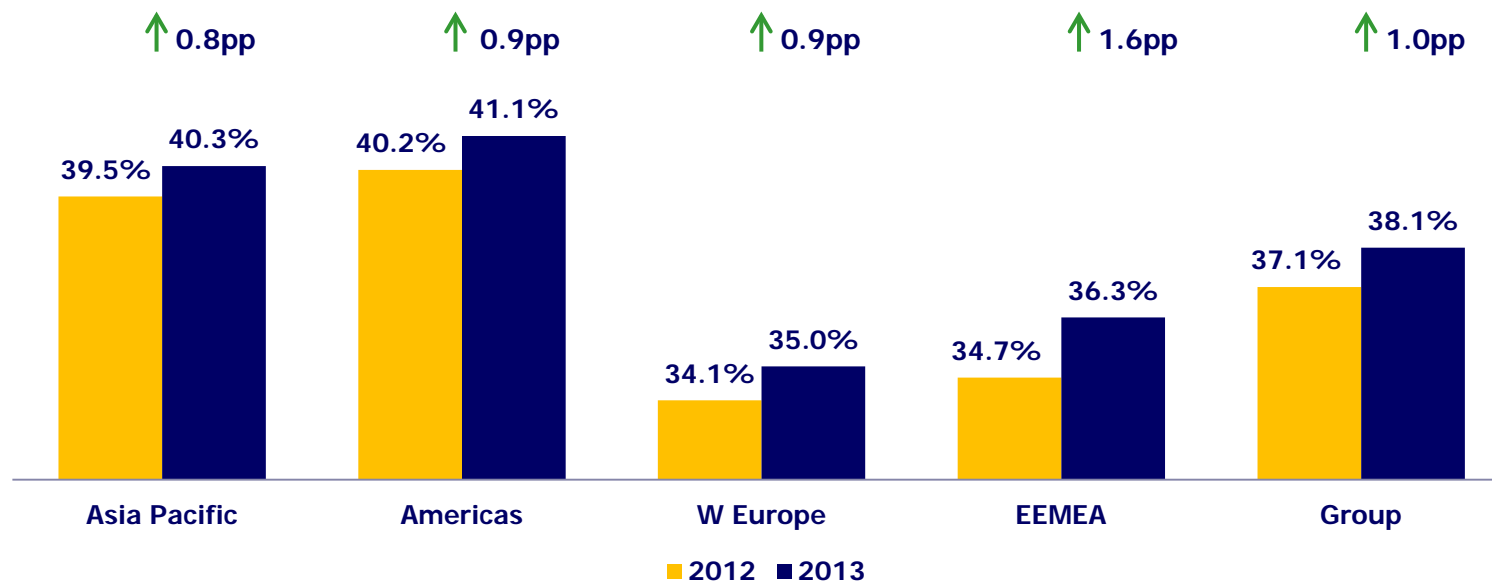
GDB

67bn

4.6%

Operating margin 2012 – 2013

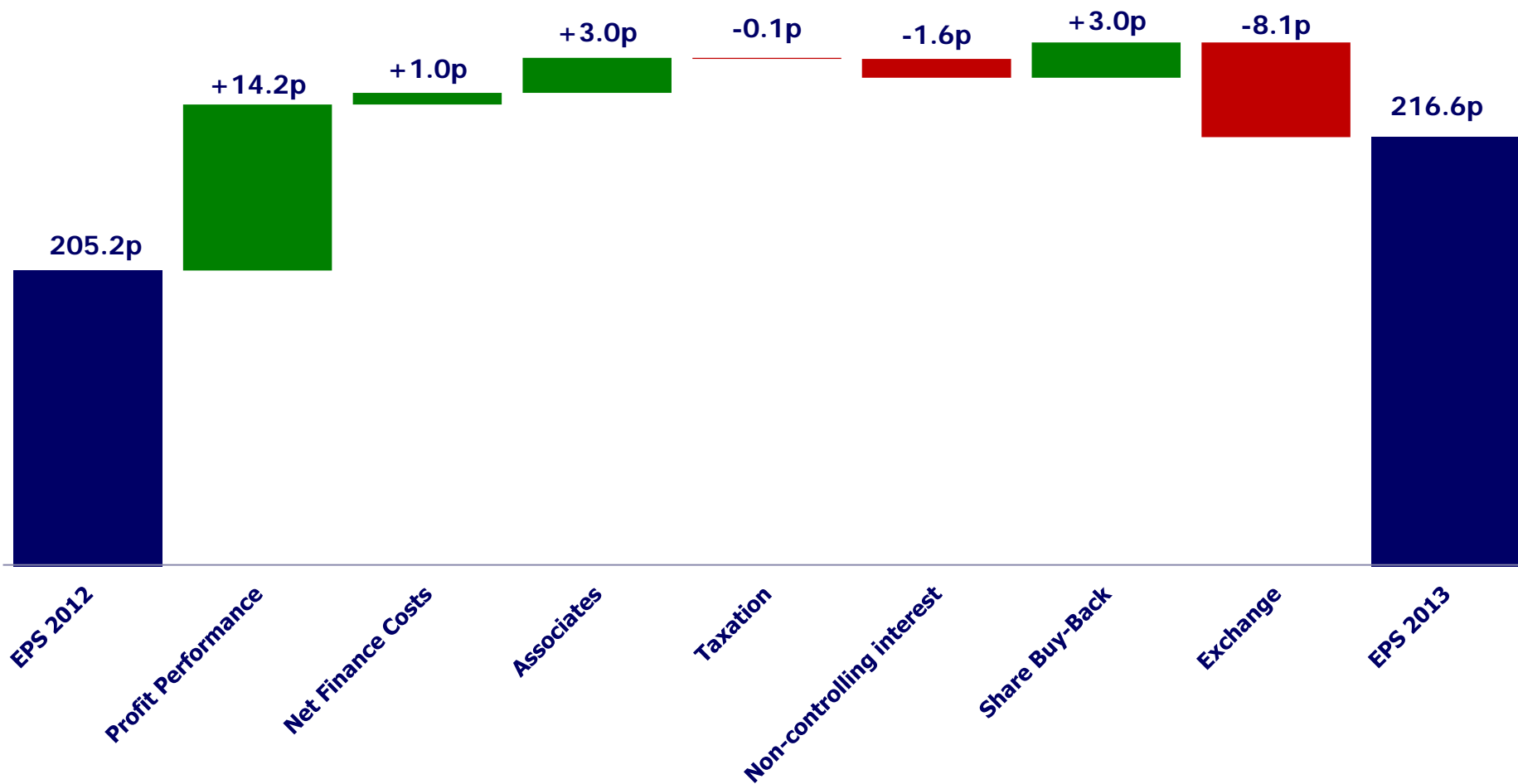
Based on adjusted profit and current FX



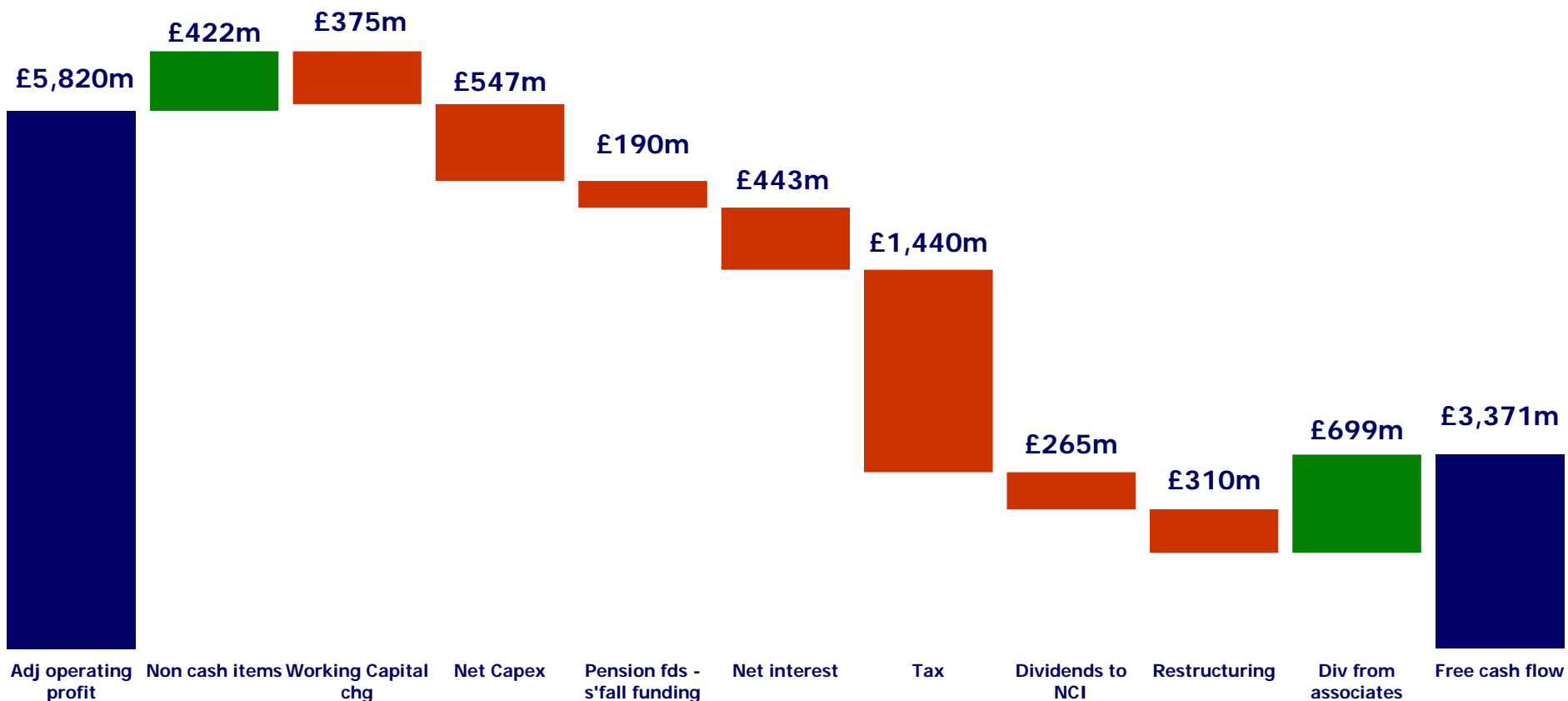
Drivers of margin:

- Strong pricing in key markets: Australia, Brazil, South Africa, GCC, Germany, Denmark
- Negative geographic mix in AsPac
- Marketing investments / Investments in NGPs
- Cost savings across the Group

Drivers of adjusted EPS growth



Cash flow



Financing/Shareholder returns

- 121% of Free Cash Flow returned to shareholders in 2013:
 - £2.6bn – Dividends paid to shareholders
 - £1.5bn – Share buy back
- Net Debt increased by £1.0bn to £9.5bn
- Moody's credit rating upgraded to A3 from Baa1
- Fitch and S&P ratings remain unchanged at A-

Nicandro Durante

Chief Executive



Key highlights

- Strong performances in key markets in all regions

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- New market opportunities providing further long term growth potential

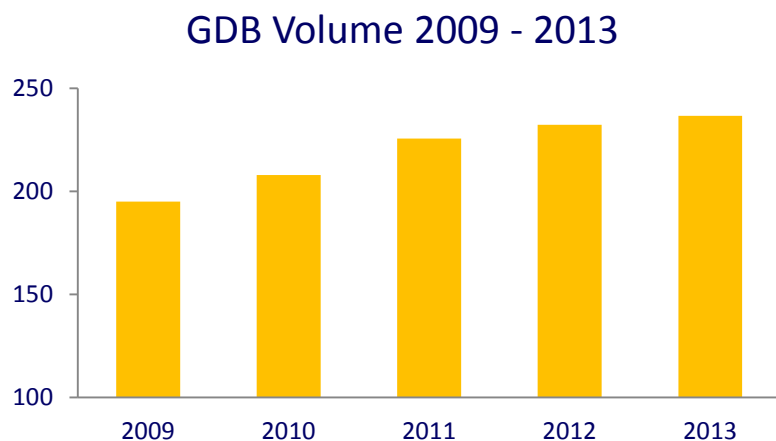
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- Record margin of 38.1%

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- Strong performances in key markets in all regions
- New market opportunities providing further long term growth potential
- Record margin of 38.1%
- Strong share growth across our Top 40 markets
- Another excellent performance from the GDBs and other International Brands

Global Drive Brands



- Volume: 54 billion, up 9.7%
- Share up 0.2ppt in T40
- Strong volume growth in Indonesia, South Korea, and the GCC
- Good share growth across all major markets
- Record share in Malaysia

- GDB volume: 237 bns, +1.9%
- Total International brands: 385 bns, +2.1%
- Premium volume: flat

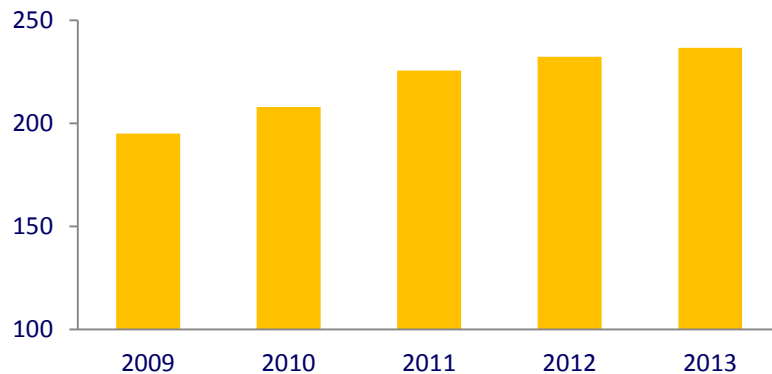
Global Drive Brands



KENT

- Volume: 65 billion, down 2.9%
- Share flat in T40
- Impacted by market declines in Russia, Romania and Japan
- Growth in the Middle East and Uzbekistan
- Innovation pipeline remains strong

GDB Volume 2009 - 2013



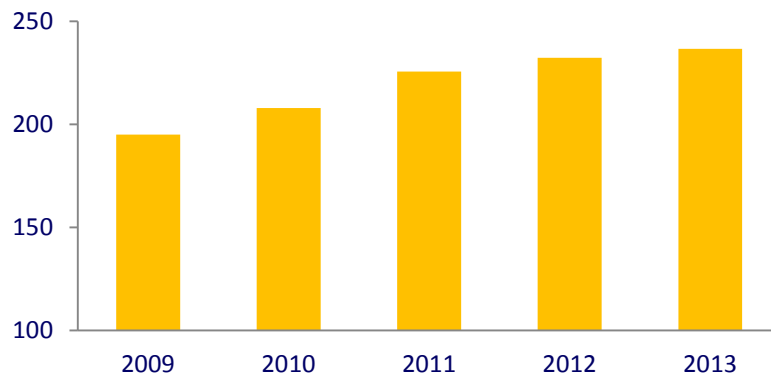
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Global Drive Brands



- Volume: 31 billion, down 6.5%
- Share up 0.1ppt
- Market contraction in WE
- New markets – Philippines and Russia
- Innovations account for 29% of volume

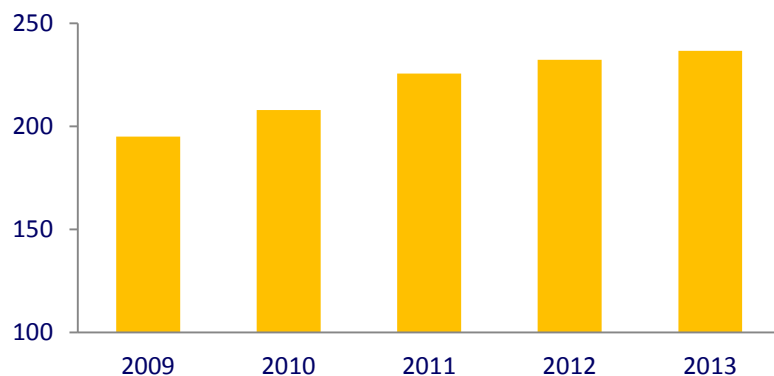
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Global Drive Brands

GDB Volume 2009 - 2013



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DUNHILL
SINCE 1907



KENT®



PALL MALL / 

- Volume: 87 billion, up 4.4%
- Share up 0.3ppt in T40
- Strong performance across Americas and ASPAC
- Record share in a number of markets
- Pall Mall Fine Cut No 1 brand in Western Europe

Global Drive Brands

- GDB volume incl. Rothmans: 263 bns, +3.5%
- Total International brands: 385 bns, +2.1%
- Premium volume: flat



- Volume: 26 billion, up 21.7%
- Share up 0.3ppt in T40
- Strong performance in EEMEA and Western Europe
- Great momentum of slimmer innovations in Eastern Europe



KENT®



PALL MALL / 

Next-Generation Products update



Summary

- Strategy is delivering
- Continued growth in revenue, share, margin and profit
- Adjusted EPS at constant rates up 10%
- Currency headwinds
- Solid pricing, although industry volume remains under pressure in some markets
- Growing cash returns to shareholders
 - Proposed dividend per share 6% higher at 142.4 pence
 - Maintaining annual share buy-back programme at £1.5bn



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SUPPLEMENTARY SLIDES

27th February 2014



Cigarette volumes by region FY 2013

Region	Billions		
	2013	2012	% change
Asia Pacific	197	188	+5%
Americas	134	142	-6%
Western Europe	119	129	-8%
Eastern Europe, Middle East and Africa	226	235	-4%
Group	676	694	-3%

Cigarette volumes by region H2 2013

Region	Billions		
	2013	2012	% change
Asia Pacific	97	93	+4%
Americas	70	71	-3%
Western Europe	62	67	-7%
Eastern Europe, Middle East and Africa	115	119	-3%
Group	344	350	-2%

Cigarette volumes by region Q4 2013

Region	Billions		
	2013	2012	% change
Asia Pacific	48	47	+3%
Americas	37	38	-4%
Western Europe	32	34	-6%
Eastern Europe, Middle East and Africa	58	58	0%
Group	175	177	-1%

Revenue by region FY 2013

Region	£m		
	2013	2012*	% change
Asia Pacific	4,203	4,214	0%
Americas	3,317	3,460	-4%
Western Europe	3,635	3,442	+6%
Eastern Europe, Middle East and Africa	4,105	4,074	+1%
Group	15,260	15,190	0%

All numbers as reported

2012 restated for IAS19

Revenue by region H2 2013

Region	£m		
	2013	2012*	% change
Asia Pacific	2,095	2,164	-3%
Americas	1,667	1,754	-5%
Western Europe	1,921	1,793	+7%
Eastern Europe, Middle East and Africa	2,005	2,027	-1%
Group	7,688	7,738	-1%

All numbers as reported

2012 restated for IAS19

Adjusted profit from operations FY 2013

Region	£m		
	2013	2012*	% change
Asia Pacific	1,693	1,663	+2%
Americas	1,364	1,391	-2%
Western Europe	1,273	1,175	+8%
Eastern Europe, Middle East and Africa	1,490	1,412	+6%
Group	5,820	5,641	+3%

All numbers as reported

2012 restated for IAS19

Adjusted profit from operations H2 2013

Region	£m		
	2013	2012*	% change
Asia Pacific	818	848	-4%
Americas	632	651	-3%
Western Europe	700	620	+13%
Eastern Europe, Middle East and Africa	726	701	+4%
Group	2,876	2,820	+2%

All numbers as reported

2012 restated for IAS19

Top 40 market share movements (1)

Market	SOM FY13 (%)	Movement (ppt)
Argentina	27.1	+0.7
Australia	43.2	-1.0
Bangladesh	45.1	+3.7
Belgium	32.0	-0.4
Brazil	77.0	+2.1
Canada	50.8	-0.3
Chile	92.1	-0.5
Colombia	47.4	-0.2
Czech	20.8	+0.1
Denmark	78.7	-1.0

Market	SOM FY13 (%)	Movement (ppt)
France	16.8	0.0
GCC	34.7	+0.1
Germany	19.8	0.0
Indonesia	6.5	-0.5
Italy	21.9	-0.6
Japan	11.8	-0.2
Kazakhstan	10.0	+1.3
Malaysia	62.0	+0.9
Mexico	35.7	+1.5
Netherlands	26.4	-1.0

Based on retail audit

Top 40 market share movements (2)

Market	SOM FY13 (%)	Movement (ppt)
New Zealand	72.3	+0.8
Pakistan	65.8	+1.6
Philippines	0.4	+0.4
Poland	26.9	-1.5
Romania	53.8	+1.7
Russia	21.2	+0.5
South Africa	82.0	-0.5
South Korea	13.3	-0.1
Spain	11.5	-0.3

Market	SOM FY12 (%)	Movement (ppt)
Sweden	28.2	+0.3
Switzerland	41.3	-0.2
Taiwan	9.3	+0.2
Turkey	19.5	-1.6
UK	8.2	+0.1
Ukraine	17.4	+0.8
Venezuela	92.3	+0.2
Vietnam	30.1	+1.0

Based on retail audit

Foreign currencies

	Average		Closing	
	2013	2012	2013	2012
US dollar	1.564	1.586	1.656	1.626
Canadian dollar	1.612	1.584	1.760	1.619
Euro	1.178	1.234	1.202	1.233
South African rand	15.099	13.054	17.347	13.791
Brazilian real	3.381	3.109	3.908	3.328
Australian dollar	1.623	1.532	1.851	1.566
Russian rouble	49.853	49.277	54.424	49.656
Japanese yen	152.715	126.633	174.080	140.549
Indian rupee	91.707	84.838	102.447	89.061