



INTERIM RESULTS 2014

30th July 2014





Nicandro Durante

Chief Executive



Financials

Current

Constant

Revenue

£6.8bn

10.2%

2.7%

Profit

£2.7bn

9.5%

4.1%

Margin

39.2%

0.3pp

0.5pp

EPS

101.8p

6.7%

8.0%

Volume

Cigarettes

331bn

0.4%

Total Tobacco

344bn

0.5%

GDBs

134bn

5.7%

Total IBs

193bn

2.6%

A good underlying performance

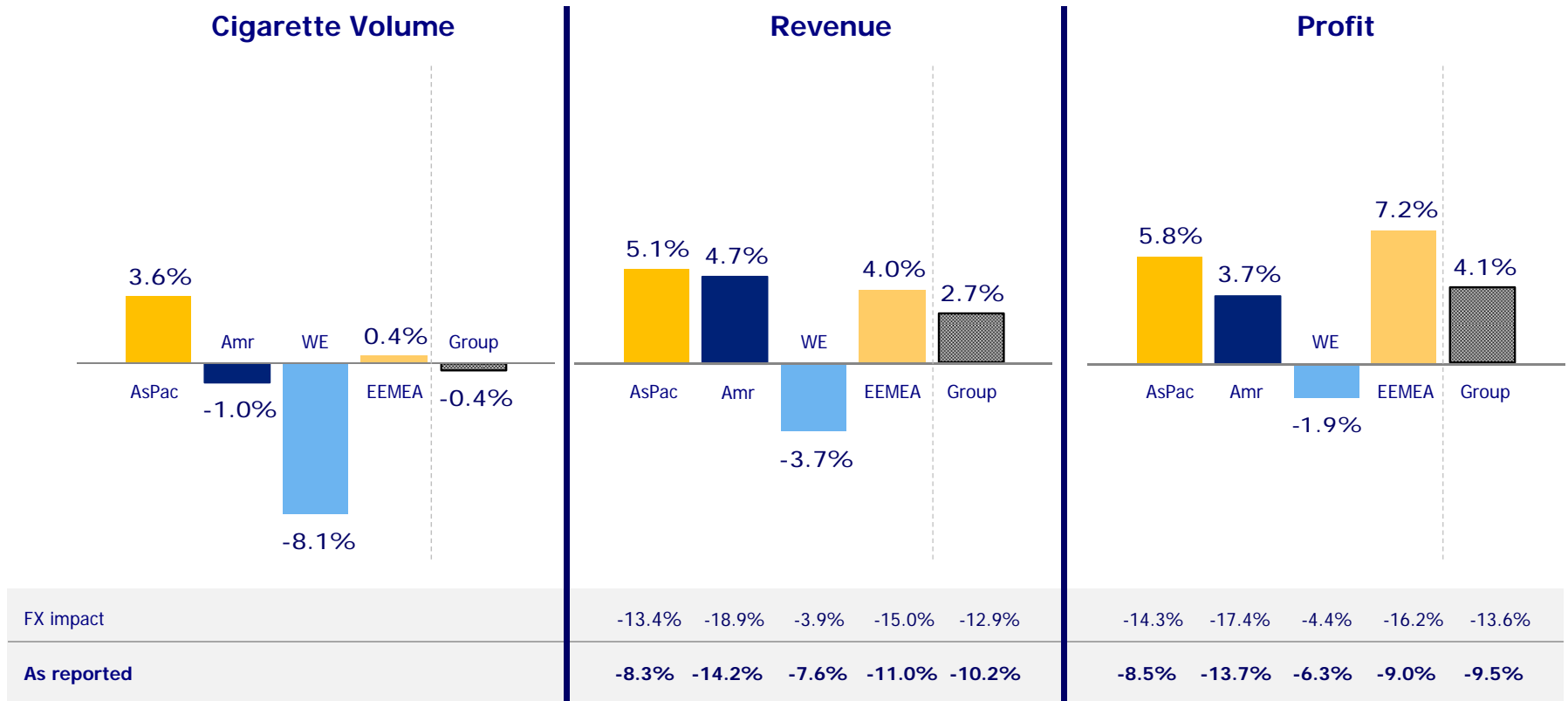


Ben Stevens

Finance Director

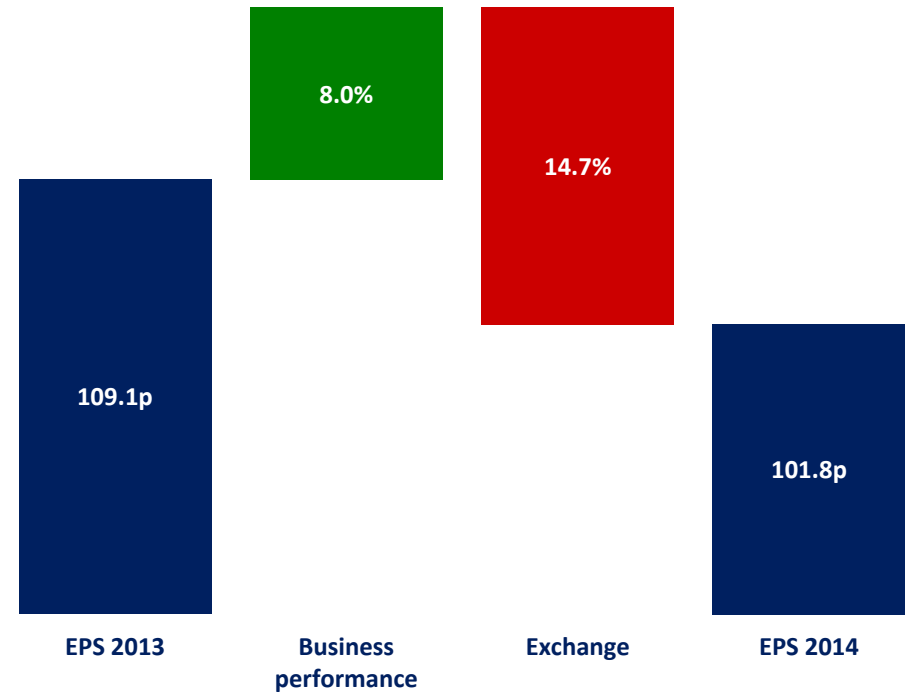
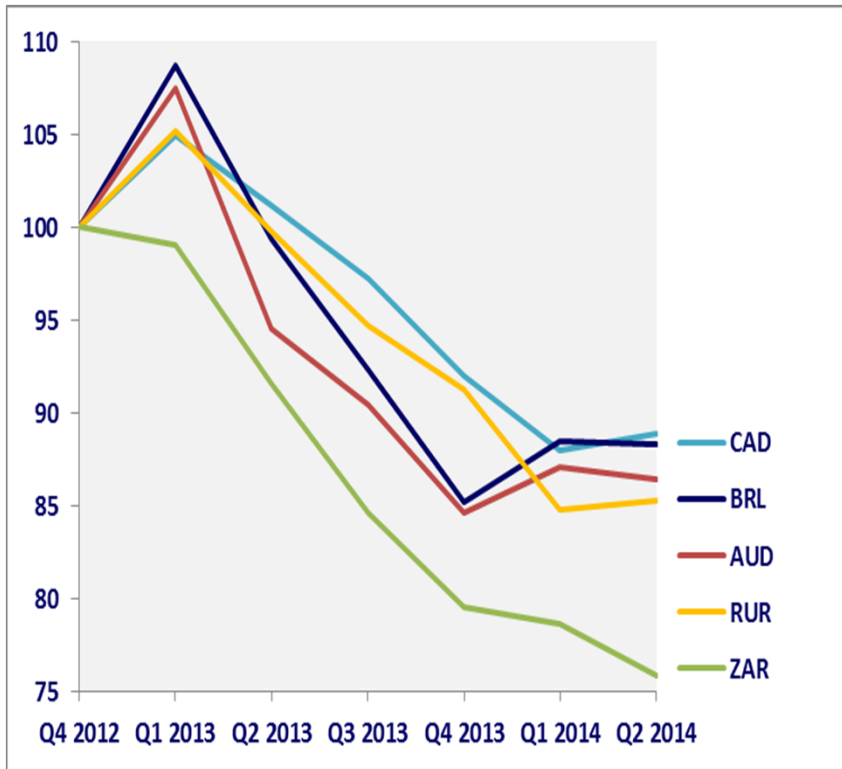


Regional performance*



*At constant rates of exchange

Foreign exchange



Asia Pacific – Regional Performance

Financials

Constant

Current

Revenue

£2,216m

5.1%

8.3%

Profit

£926m

5.8%

8.5%

Volume

Cigarettes

104bn

3.6%

GDBs

41bn

9.2%

Americas – Regional Performance

Financials

Constant

Current

Revenue

£1,728m

4.7%

14.2%

Profit

£759m

3.7%

13.7%

Volume

Cigarettes

63bn

1.0%

GDB

17bn

13.6%

INTERIM RESULTS 2014

Western Europe – Regional Performance

Financials

Constant

Current

Revenue

£1,651m

3.7%

7.6%

Profit

£562m

1.9%

6.3%

Volume

Cigarettes

52bn

8.1%

Total Tobacco

63bn

7.1%

GDB

30bn

3.5%

EEMEA – Regional Performance

Financials

Constant

Current

Revenue

£2,185m

4.0%

11.0%

Profit

£819m

7.2%

9.0%

Volume

Cigarettes

112bn

0.4%

GDB

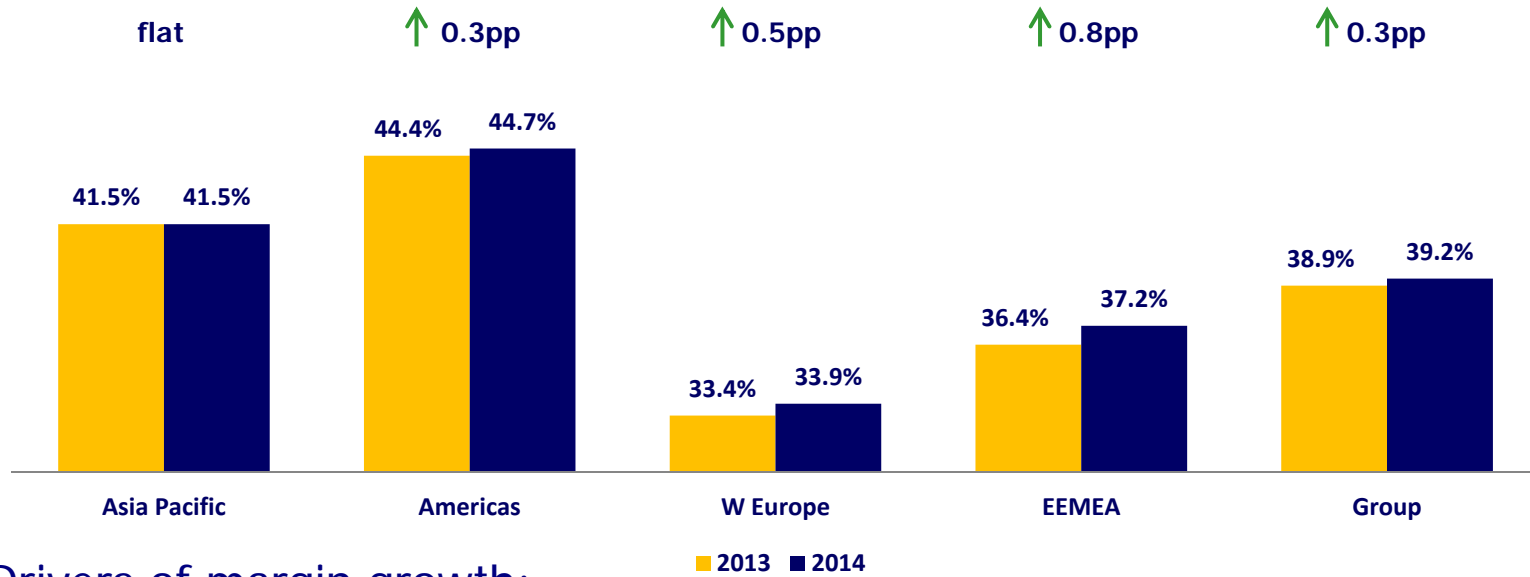
46bn

6.8%



Operating margin H1 2013 – H1 2014

Based on adjusted profit and current FX



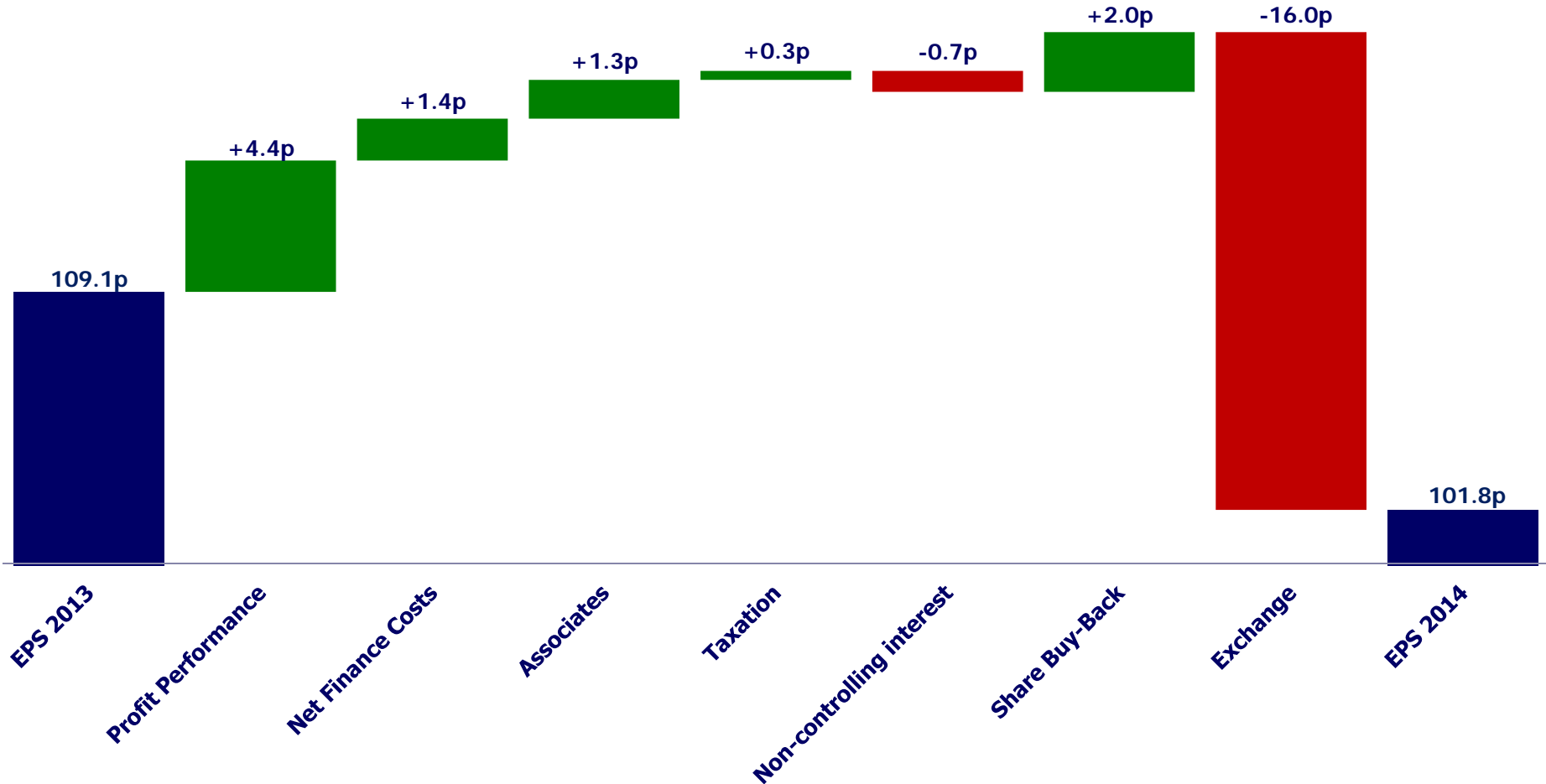
Drivers of margin growth:

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

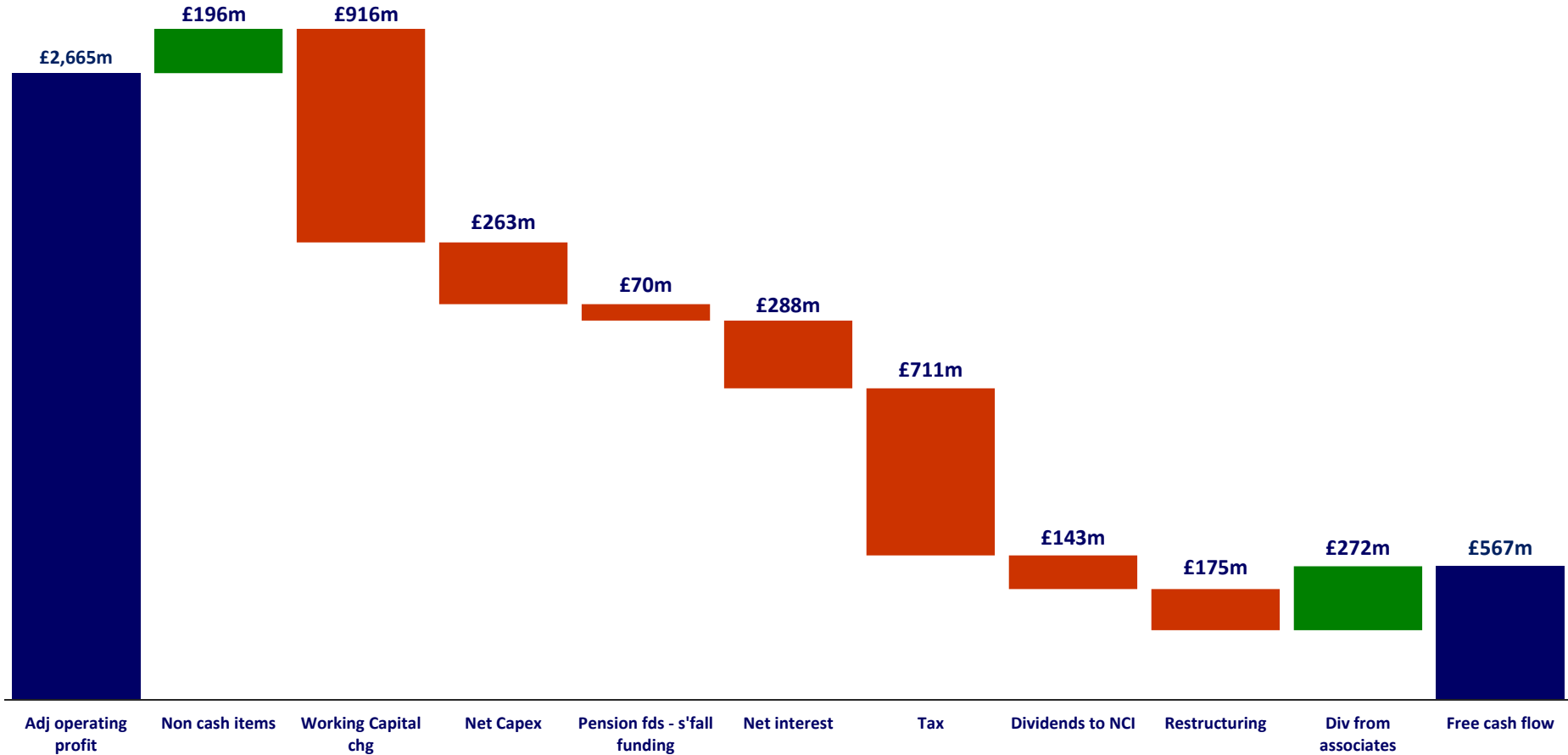
Offset by

- Adverse transactional FX
- Higher investment in strategic markets
- Increased focus on Next Generation products

Drivers of adjusted EPS growth



Cash flow



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

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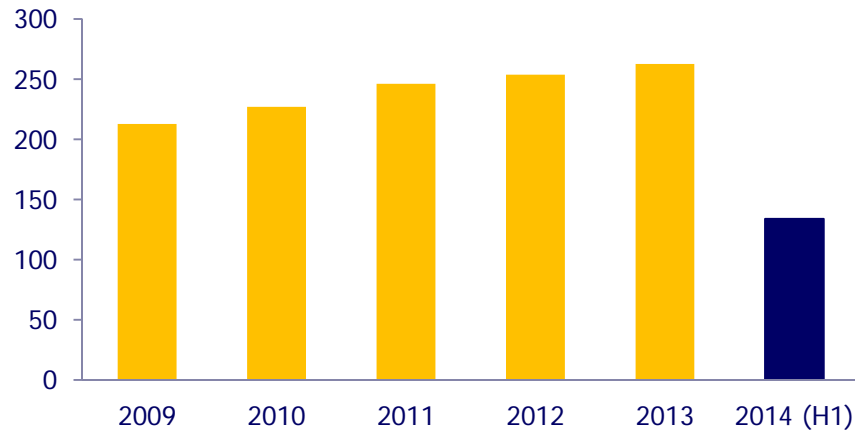
- Improving volume trends
- Good revenue growth
- Strong share growth driven by innovations


Key highlights

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

Global Drive Brands

GDB Volume 2009 - 2014

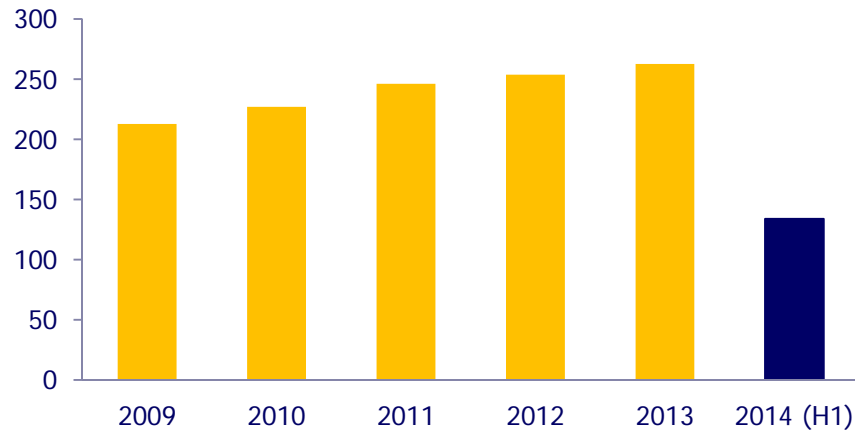


- 
- Volume: 26 billion, up 4.9%
 - Share up 0.1ppt in T40
 - Strong volume and share growth in Indonesia, Brazil and Romania

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

Global Drive Brands

GDB Volume 2009 - 2014

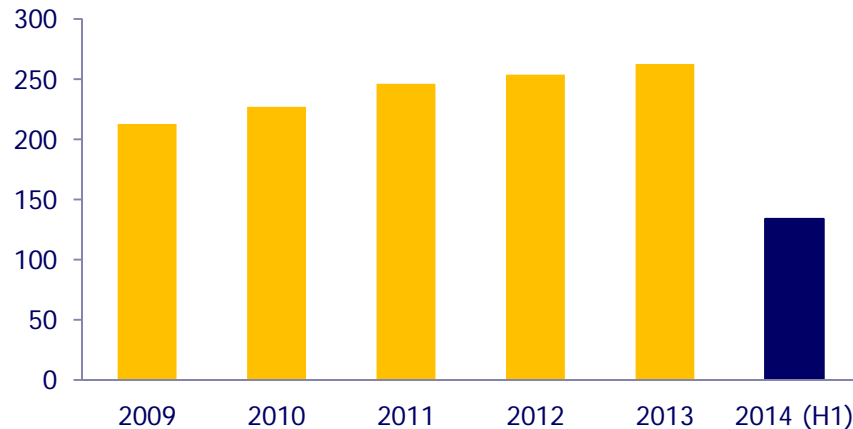


- Volume: 31 billion, down 2.9%
- Share flat in T40
- Impacted by market declines in Russia
- Growth in the Middle East and Japan
- Innovations growing strongly

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

Global Drive Brands

GDB Volume 2009 - 2014



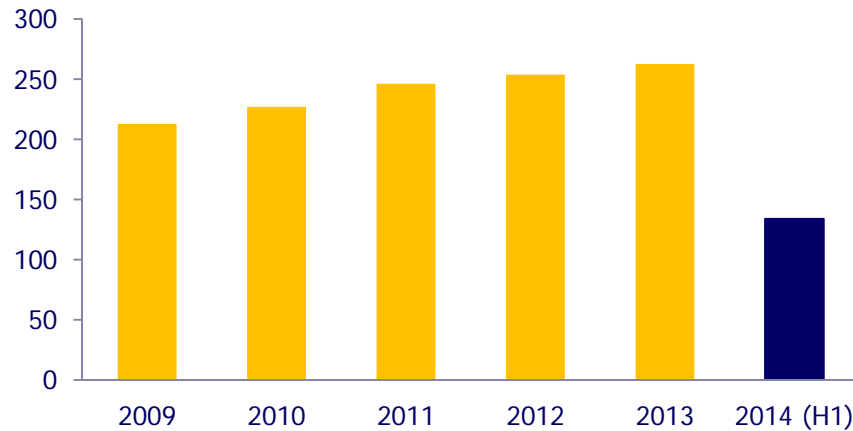
- GDB volume: 134 bns, +5.7%
- Total International brands: 193 bns, +2.6%
- Premium volume: -3%



- 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

Global Drive Brands

GDB Volume 2009 - 2014



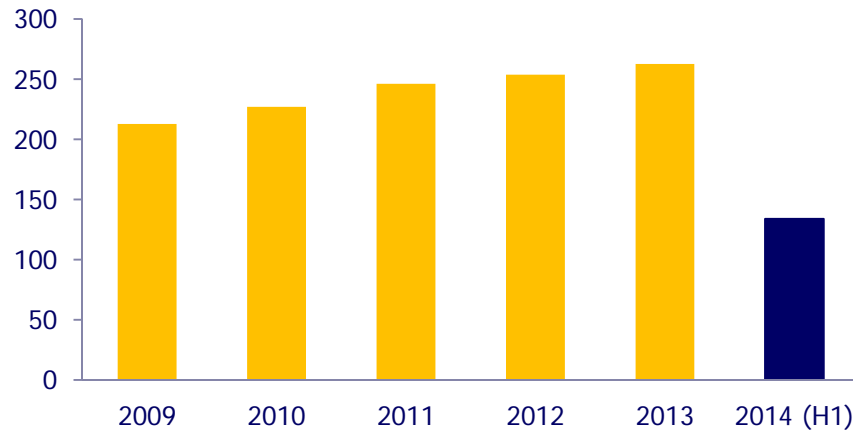
- GDB volume: 134 bns, +5.7%
- Total International brands: 193 bns, +2.6%
- Premium volume: -3%



- 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

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- Good revenue growth
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- 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

Region	Billions		
	2014	2013	% change
Asia Pacific	104	100	+4%
Americas	63	64	-1%
Western Europe	52	57	-8%
Eastern Europe, Middle East and Africa	112	111	+0%
Group	331	332	-0%

Cigarette volumes by region Q2 2014

Region	Billions		
	2014	2013	% change
Asia Pacific	53	52	+3%
Americas	32	32	-0%
Western Europe	29	31	-7%
Eastern Europe, Middle East and Africa	59	58	+2%
Group	173	173	+0%

Revenue by region HY 2014

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

All numbers as reported

Adjusted profit from operations HY 2014

Region	£m		
	2014	2013	% change
Asia Pacific	801	875	-8%
Americas	632	732	-14%
Western Europe	537	573	-6%
Eastern Europe, Middle East and Africa	695	764	-9%
Group	2,665	2,944	-9%

All numbers as reported

Foreign currencies

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