



PRELIMINARY RESULTS 2014

26 February 2015





Nicandro Durante

Chief Executive



PRELIMINARY RESULTS 2014

Summary

Financials

Current

Constant

Revenue
£14.0bn

-8.4%

2.8%

Profit
£5.4bn

-7.2%

4.4%

Margin
38.7%

0.5pp

0.5pp

EPS
208.1p

-3.9%

7.9%

Volume

Cigarettes
667bn

-1.4%

Total Tobacco
694bn

-1.3%

GDBs
278bn

5.8%

Total IBs
397bn

3.0%

A strong performance in a tough
environment



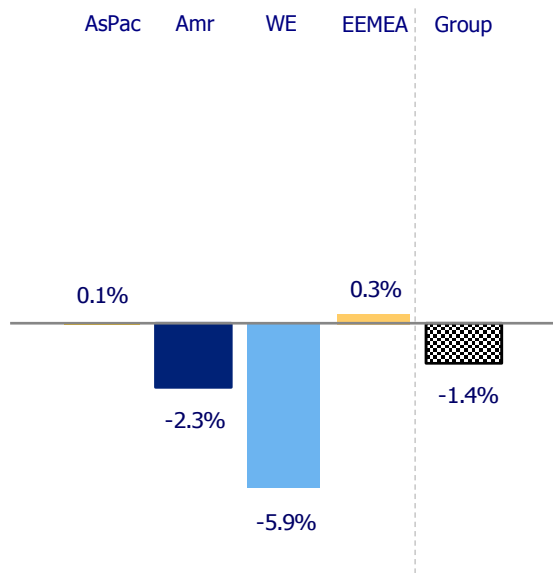
Ben Stevens

Finance Director

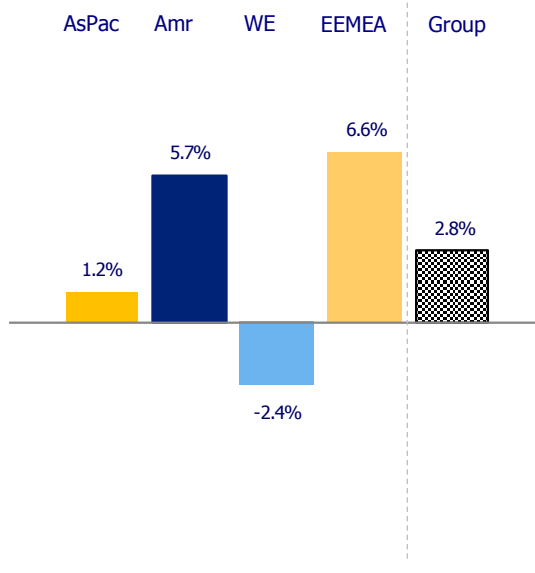


Regional performance*

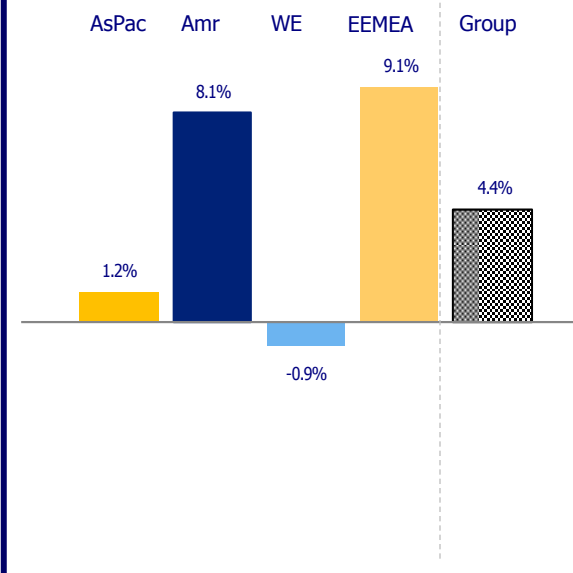
Cigarette Volume



Revenue



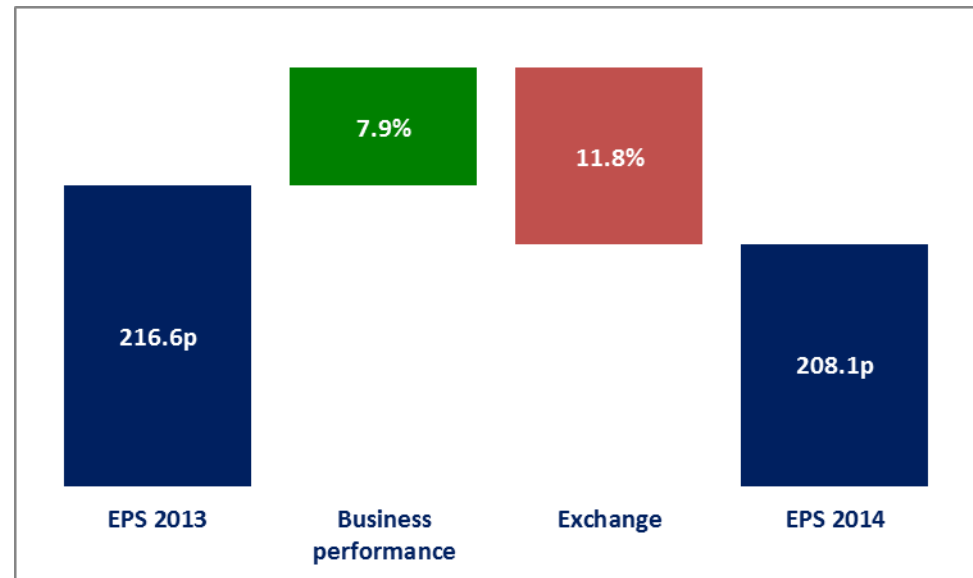
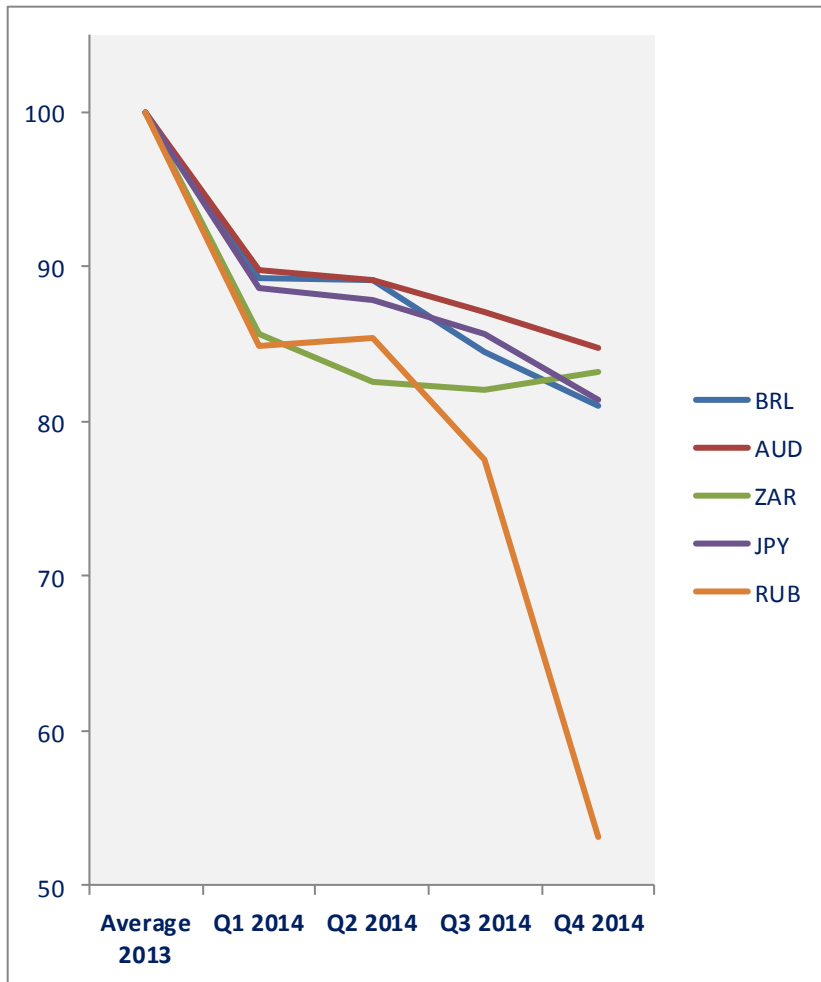
Profit



FX impact	-9.1%	-15.6%	-5.2%	-15.3%	-11.2%	-9.8%	-13.8%	-5.7%	-16.5%	-11.6%
As reported	-7.9%	-9.9%	-7.6%	-8.7%	-8.4%	-8.6%	-5.7%	-6.6%	-7.4%	-7.2%

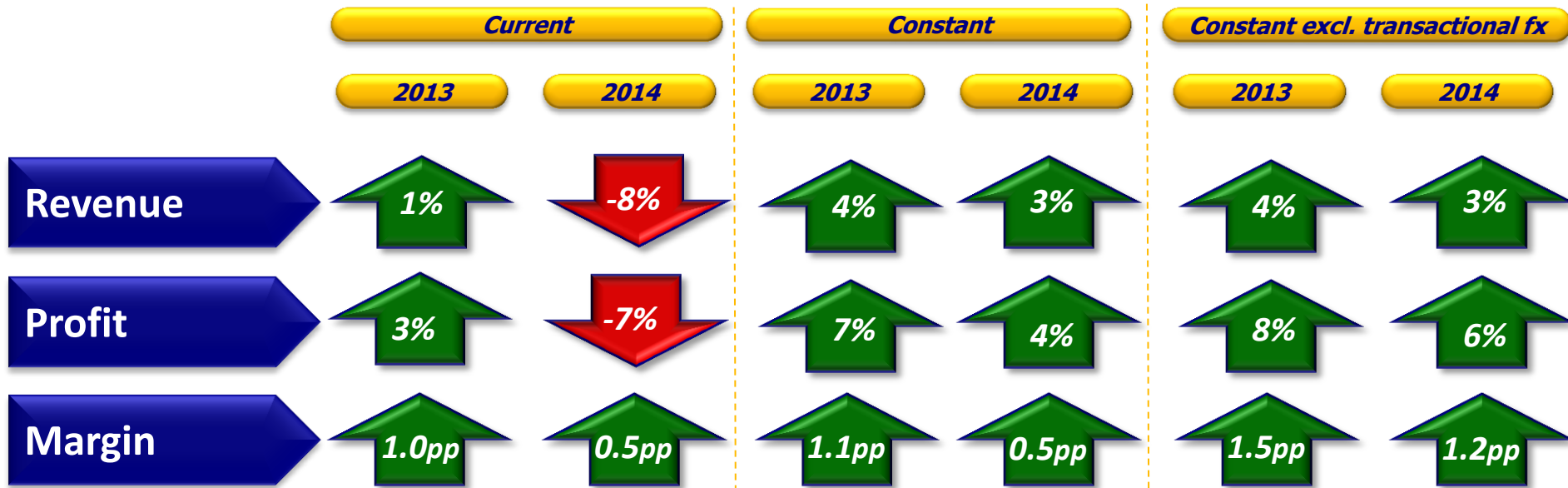
*At constant rates of exchange

Foreign exchange



Foreign exchange impacts

Financials



Strong underlying performance masked by significant translational and transactional FX impact

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Asia Pacific – Regional Performance

Financials

Constant

Current

Revenue

£4,253m

1.2%

-7.9%

Profit

£1,713m

1.2%

-8.6%

Volume

Cigarettes

197bn

0.1%

GDBs

79bn

6.5%

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Americas – Regional Performance

Financials

Constant

Current

Revenue

£3,506m

5.7%

-9.9%

Profit

£1,475m

8.1%

-5.7%

Volume

Cigarettes

131bn

-2.3%

GDB

36bn

10.4%

Western Europe – Regional Performance

Financials

Constant

Current

Revenue

£3,546m

-2.4%

-7.6%

Profit

£1,262m

-0.9%

-6.6%

Volume

Cigarettes

112bn

-5.9%

Fine Cut

21bn

1.7%

GDB

67bn

-0.1%

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EEMEA – Regional Performance

Financials

Constant

Current

Revenue

£4,377m

6.6%

-8.7%

Profit

£1,625m

9.1%

-7.4%

Volume

Cigarettes

227bn

0.3%

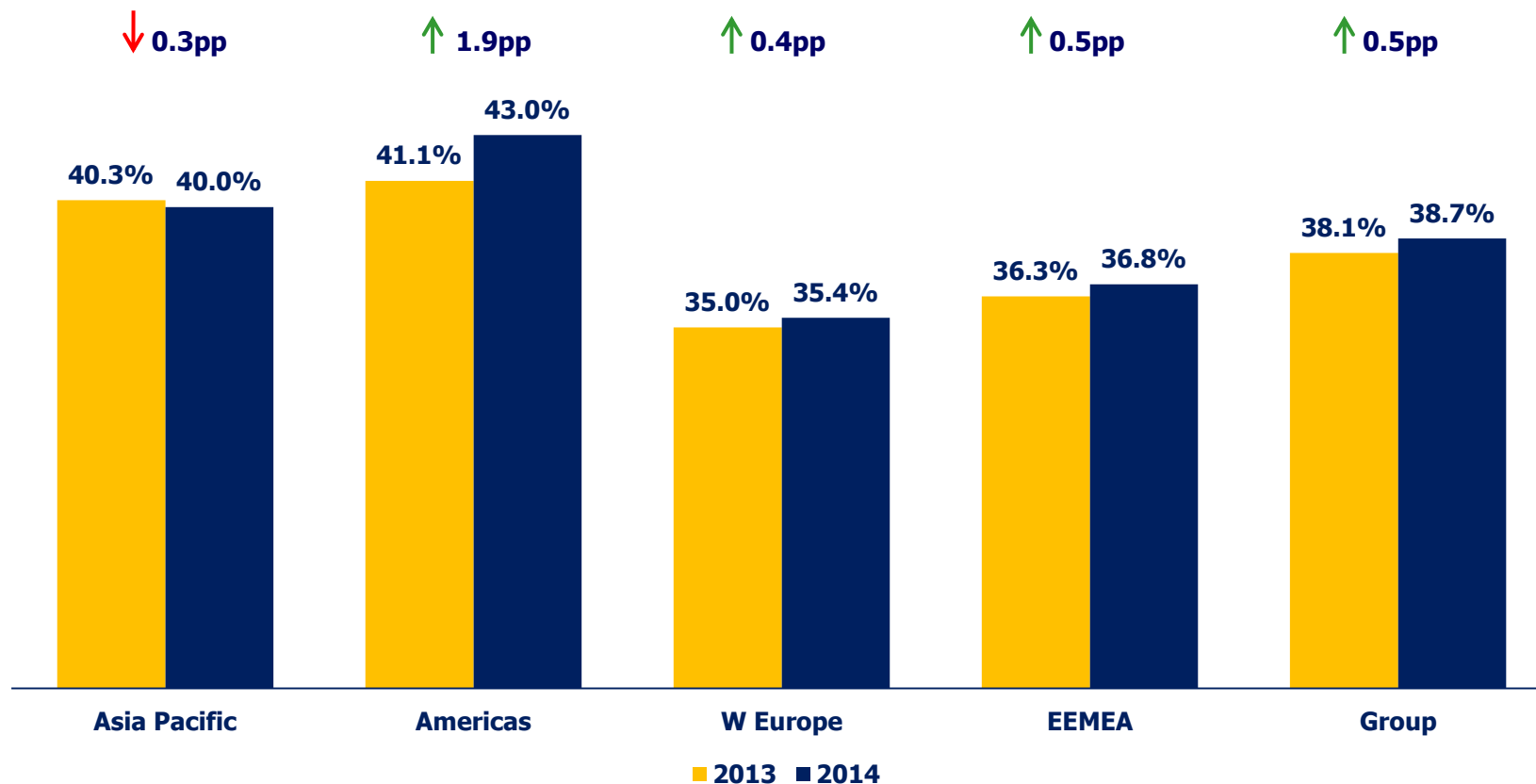
GDB

96bn

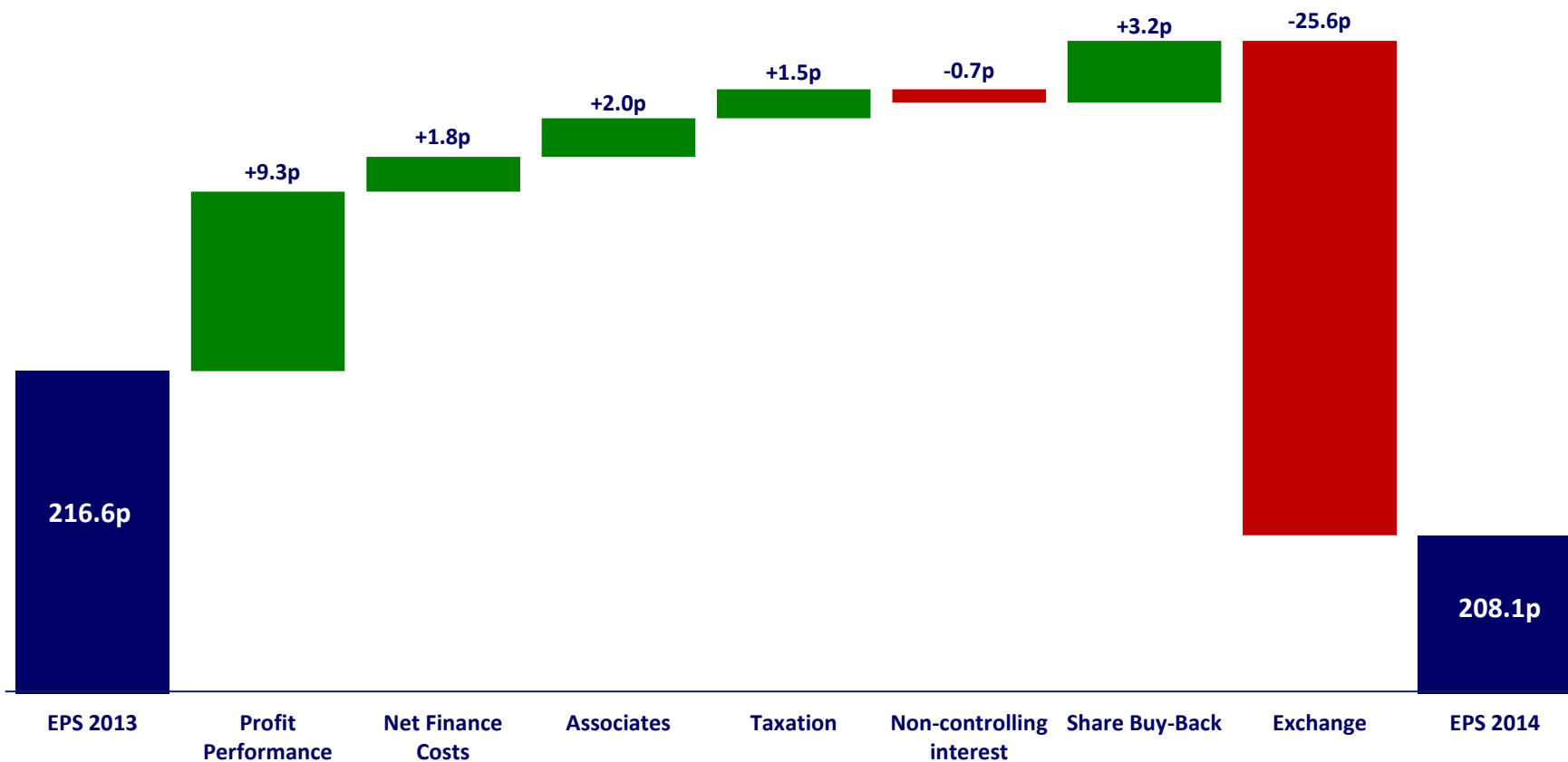
7.9%

Operating margin 2013 – 2014

Based on adjusted profit and current FX

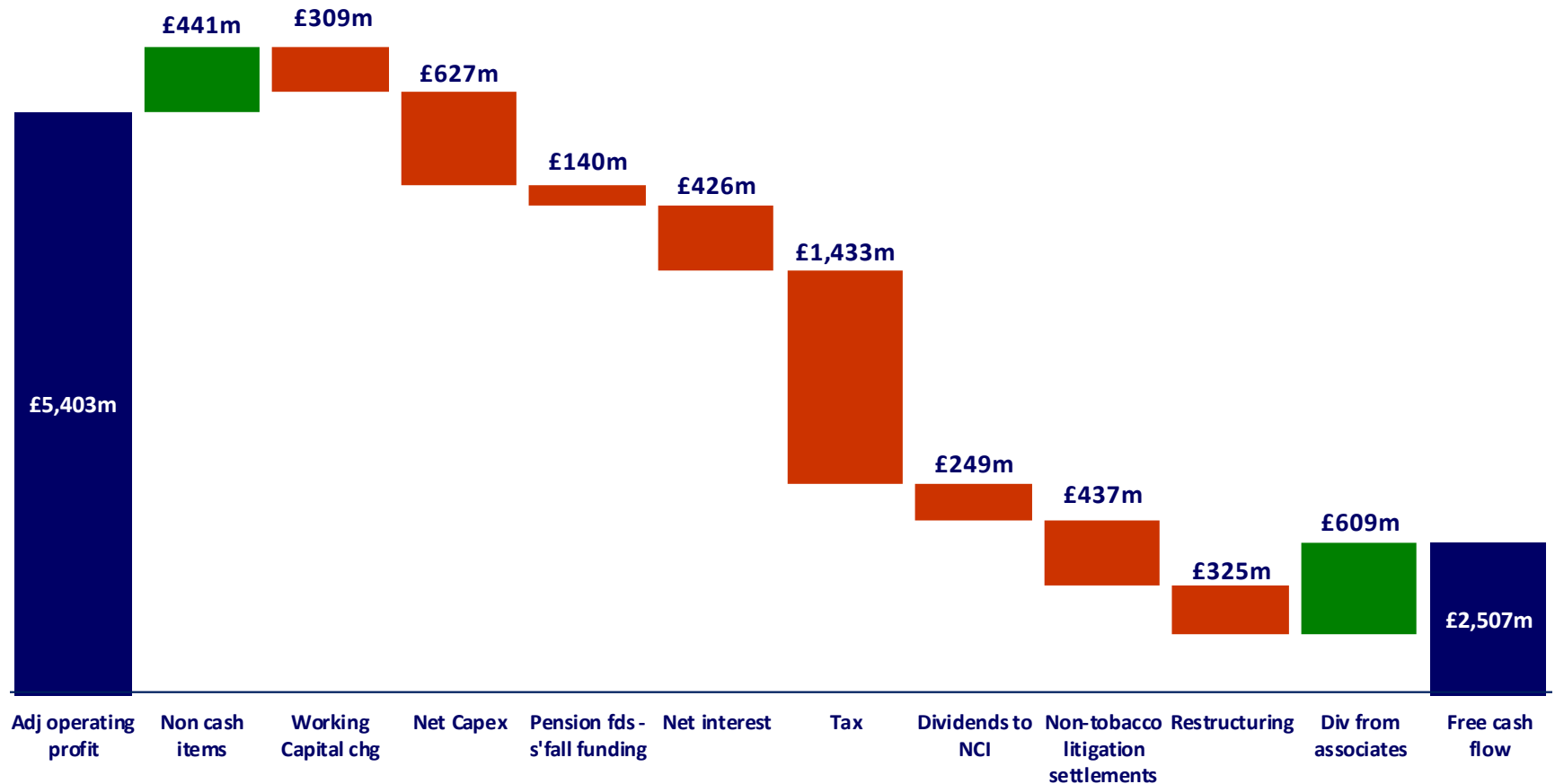


Drivers of adjusted EPS growth



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Cash flow



Financing/Shareholder returns

- 140% of Free Cash Flow returned to shareholders in 2014:
 - £2.7bn – Dividends paid to shareholders
 - £0.8bn – Share buy back
- Net Debt increased by £0.65bn to £10.2bn
- Moody's credit rating remains unchanged at A3
- Fitch and S&P ratings remain unchanged at A-
- Full year dividend growth of 4%

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Chief Executive

Key results highlights

- Consistent delivery

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- Strong share and GDB growth

Global Drive Brands



- Volume: 55 billion, +2.9%
- Share up 10bps
- Good volume and share growth in Indonesia, Brazil and Romania
- Lower volumes in S.Korea and Malaysia

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KENT[®]

- Volume: 64 billion, -2.8%
- Share flat
- Impacted by market declines in Russia and Romania
- Robust growth in Japan, Iran and Uzbekistan
- Share gains in Japan, Turkey and Vietnam

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- Volume: 31 billion, +0.8%
- Share up 10bps
- Growth momentum - Mexico, Spain, France and Russia
- Convertibles and Additive Free driving growth

KENT

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PALL MALL /

- Volume: 92 billion, +5.6%
- Share up 30bps
- Strong performance across the Regions
- Record volume including Fine Cut
- Pall Mall Fine Cut No 1 brand in Western Europe

Global Drive Brands



- Volume: 55 billion, +2.9%
- Share up 10bps
- Good volume and share in Brazil and Romania
- Lower volumes in S.Korea

KENT

- Volume: 64 billion, -2.8%

declines in Russia and
Iran and Uzbekistan
Turkey and Vietnam



- Volume: 36 billion, up 39.8%
- Share up 40bps
- Strong performance in EEMEA, Western Europe and Australia
- Great momentum of slimmer innovations in Eastern Europe



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- Share up 10bps
- Growth momentum - Mexico, Spain, France and Russia
- Convertibles and Additive Free driving growth



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Key results highlights

- Consistent delivery
- Strong share and GDB growth
- Continued good progress on Next Generation Products

Next-Generation Products update

Next-Generation Products update

Key results highlights

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- Continued good progress on Next Generation Products
- RAI/LO transaction on track

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- Consistent delivery
- Strong share and GDB growth
- Continued good progress on Next Generation Products
- RAI/LO transaction on track
- Potential offer for Souza Cruz minority under consideration



Summary

- Continued growth in revenue, share, margin and profit
- Adjusted EPS at constant rates up 8%
- Continued economic uncertainty
- Significant transactional FX headwinds
- Good pricing, but competitive in some markets
- Commitment to growing cash returns to shareholders
 - Proposed full year dividend per share 4% higher at 148.1 pence

A challenging year ahead, but optimistic of another good year excluding currency impacts



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SUPPLEMENTARY SLIDES

26 February 2015



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Cigarette volumes by region FY 2014

Region	Billions		
	2014	2013	% change
Asia Pacific	197	197	+0.1%
Americas	131	134	-2.3%
Western Europe	112	119	-5.9%
Eastern Europe, Middle East and Africa	227	226	+0.3%
Group	667	676	-1.4%

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Cigarette volumes by region H2 2014

Region	Billions		
	2014	2013	% change
Asia Pacific	93	97	-3.5%
Americas	67	70	-3.5%
Western Europe	59	62	-3.8%
Eastern Europe, Middle East and Africa	115	115	+0.3%
Group	336	344	-2.3%

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Cigarette volumes by region Q4 2014

Region	Billions		
	2014	2013	% change
Asia Pacific	47	48	-3.2%
Americas	35	37	-4.5%
Western Europe	30	32	-5.2%
Eastern Europe, Middle East and Africa	59	58	+1.6%
Group	171	175	-2.3%

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Revenue by region FY 2014

Region	£m		
	2014	2013	% change
Asia Pacific	3,873	4,203	-7.9%
Americas	2,990	3,317	-9.9%
Western Europe	3,359	3,635	-7.6%
Eastern Europe, Middle East and Africa	3,749	4,105	-8.7%
Group	13,971	15,260	-8.4%

All numbers as reported

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Revenue by region H2 2014

Region	£m		
	2014	2013	% change
Asia Pacific	1,941	2,095	-7.4%
Americas	1,575	1,667	-5.5%
Western Europe	1,776	1,921	-7.5%
Eastern Europe, Middle East and Africa	1,881	2,005	-6.2%
Group	7,173	7,688	-6.7%

All numbers as reported

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Adjusted profit from operations FY 2014

Region	£m		
	2014	2013	% change
Asia Pacific	1,548	1,693	-8.6%
Americas	1,286	1,364	-5.7%
Western Europe	1,189	1,273	-6.6%
Eastern Europe, Middle East and Africa	1,380	1,490	-7.4%
Group	5,403	5,820	-7.2%

All numbers as reported

PRELIMINARY RESULTS 2014

Adjusted profit from operations H2 2014

Region	£m		
	2014	2013	% change
Asia Pacific	747	818	-8.7%
Americas	654	632	+3.5%
Western Europe	652	700	-6.9%
Eastern Europe, Middle East and Africa	685	726	-5.6%
Group	2,738	2,876	-4.8%

All numbers as reported

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Top 40 market share movements (1)

Market	SOM FY14 (%)	Movement (ppt)
Argentina	26.7	(0.4)
Australia	39.7	(3.2)
Bangladesh	46.3	1.2
Belgium	32.0	0.5
Brazil	78.4	1.3
Canada	50.2	(0.9)
Chile	94.8	(0.1)
Colombia	48.3	0.9
Czech	20.7	(0.1)
Denmark	74.8	(3.9)

Market	SOM FY14 (%)	Movement (ppt)
France	17.0	0.2
GCC	32.7	(2.0)
Germany	19.4	(0.4)
Indonesia	6.2	(0.2)
Italy	20.5	(0.6)
Japan	12.3	0.5
Kazakhstan	11.3	1.3
Malaysia	61.2	(0.7)
Mexico	38.2	2.6
Netherlands	25.9	(0.4)

Based on retail audit

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Top 40 market share movements (2)

Market	SOM FY14 (%)	Movement (ppt)
New Zealand	70.8	(1.5)
Pakistan	67.2	1.4
Philippines	0.7	0.3
Poland	27.0	0.2
Romania	53.6	(0.2)
Russia	21.3	0.2
South Africa	80.6	(1.4)
South Korea	13.0	(0.3)
Spain	11.1	(0.5)

Market	SOM FY14 (%)	Movement (ppt)
Sweden	28.5	0.3
Switzerland	40.0	(0.5)
Taiwan	10.1	0.8
Turkey	19.5	0.0
UK	8.8	0.7
Ukraine	19.3	1.6
Venezuela	92.4	0.0
Vietnam	30.8	(0.4)

Based on retail audit

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Foreign currencies

	Average		Closing	
	2014	2013	2014	2013
US dollar	1.648	1.564	1.559	1.656
Canadian dollar	1.819	1.612	1.806	1.760
Euro	1.241	1.178	1.289	1.202
South African rand	17.861	15.099	18.039	17.347
Brazilian real	3.874	3.381	4.145	3.908
Australian dollar	1.827	1.623	1.905	1.851
Russian rouble	63.412	49.853	93.555	54.424
Japanese yen	174.223	152.715	186.946	174.080
Indian rupee	100.529	91.707	98.424	102.447