



INTERIM RESULTS 2016

28 July 2016





Nicandro Durante

Chief Executive



Strong performance driven by organic growth

Strong top-line growth – volume and revenue

Excellent corporate and GDB share growth continues

Benefits from 2015 M&A

Continued delivery of HSF EPS growth

Commitment to shareholder returns



Ben Stevens

Finance Director



Summary

Financials

Current

Constant

Revenue
£6,669m

4.2%

7.8%

Profit
£2,452m

-2.2%

1.8%

Margin
36.8%

-240bp

-220bp

EPS
111.1p

10.9%

13.4%

Volume

Cigarettes
332bn

3.4%

Total Tobacco
344bn

3.1%

GDBs
157bn

10.8%

Total IBs
209bn

5.6%

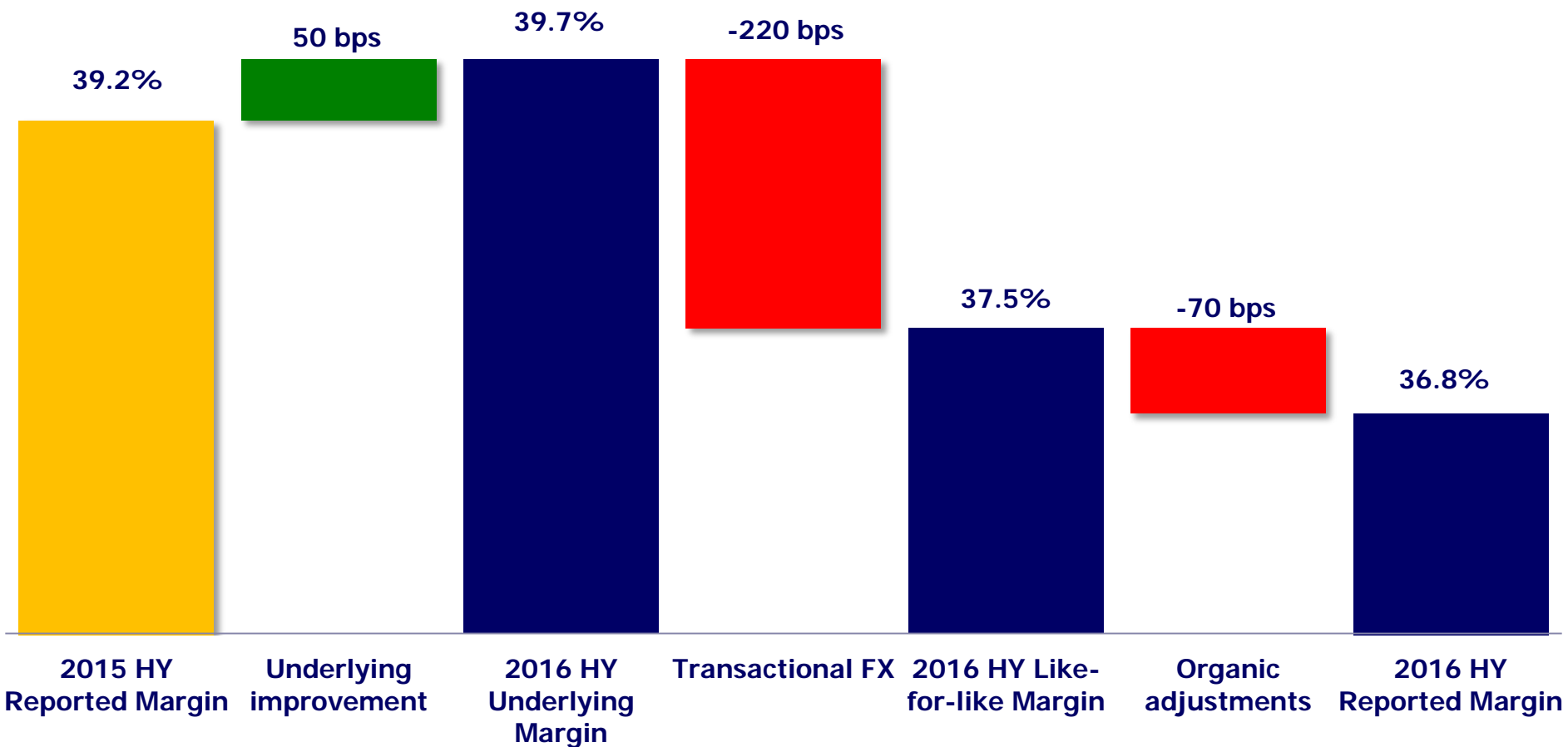
A strong organic performance

Currency impact on Operating Profit

	H1 2016 actual	FY 2016 estimate
Transactional at constant FX	-6%	-6%
Translational	-4%	+4%

Translational FX turning
Transactional FX headwinds continue

Operating margin



Asia Pacific – Regional Performance

Financials

Constant

Current

Revenue
£1,923m

1.5%

4.9%

Profit
£756m

-2.7%

-2.0%

Profit
Ex transactional FX

4%

Volume

Cigarettes
105bn

2.0%

GDBs
44bn

-0.2%

Americas – Regional Performance

Financials

Constant

Current

Revenue
£1,527m

10.4%

-6.3%

Profit
£618m

-0.6%

-13.7%

Profit
Ex transactional FX

3%

Volume

Cigarettes
56bn

-6.6%

GDBs
20bn

14.4%

Western Europe – Regional Performance

Financials

Constant

Current

Revenue
£1,643m

12.3%

18.2%

Profit
£559m

7.6%

13.8%

Profit
Ex transactional FX

9%

Volume

Cigarettes
57bn

11.0%

GDBs
35bn

10.7%

EEMEA – Regional Performance

Financials

Constant

Current

Revenue
£1,807m

9.0%

-0.1%

Profit
£618m

4.9%

-4.2%

Profit
Ex transactional FX

17%

Volume

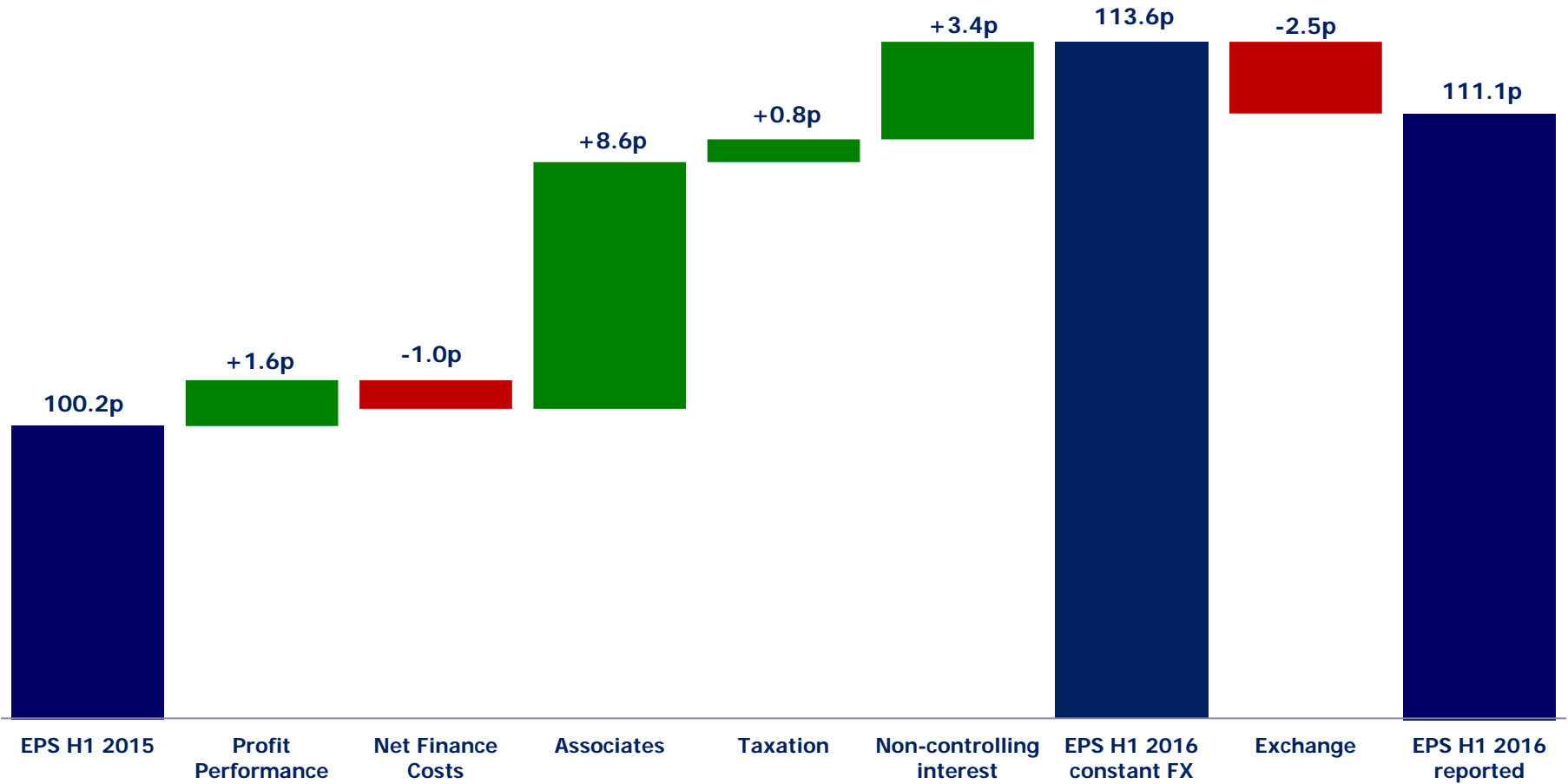
Cigarettes
114bn

6.6%

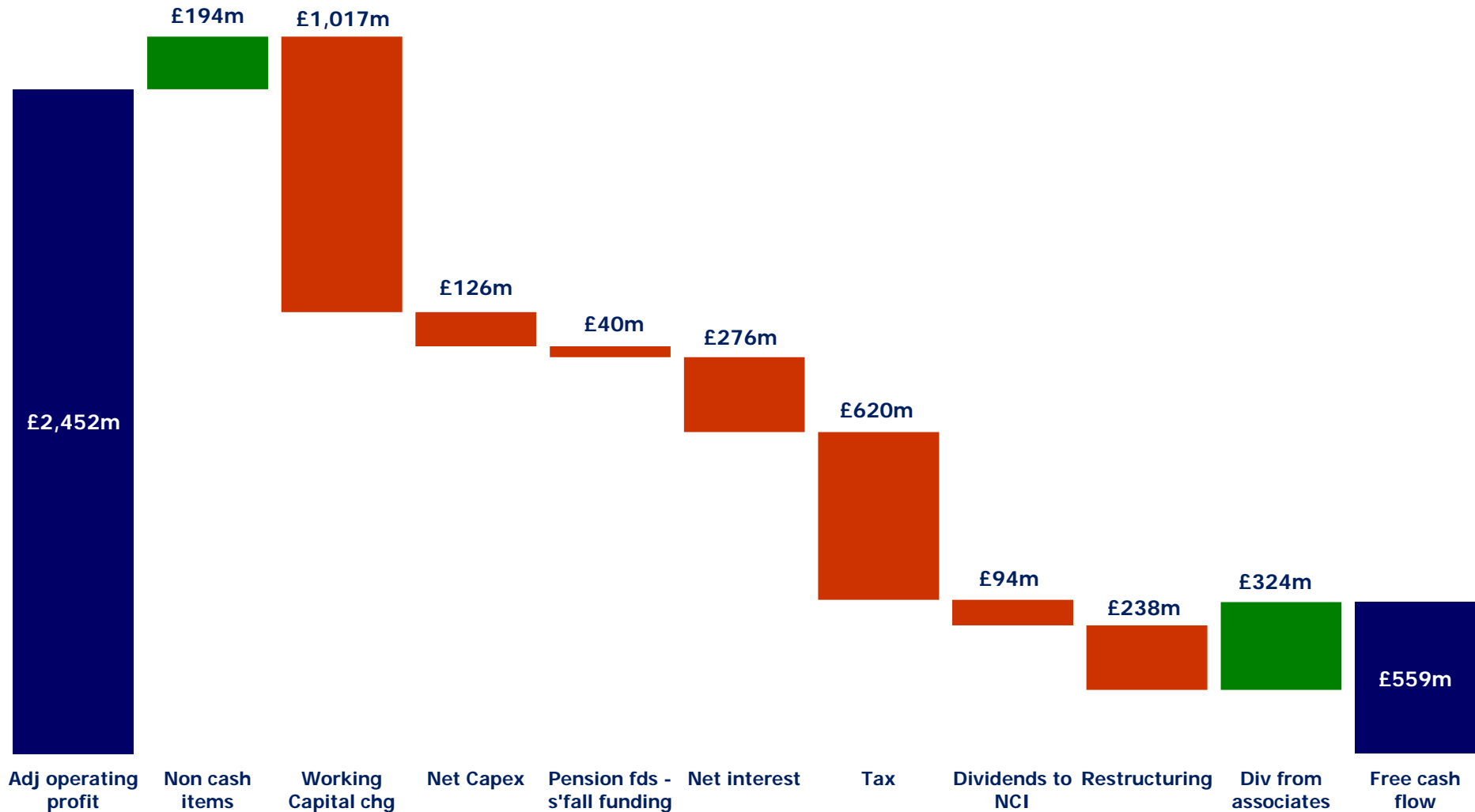
GDBs
58bn

19.3%

Drivers of adjusted EPS growth



Cash flow



Financing/Shareholder returns

- Net Debt increased by £2.9bn to £17.7bn, £1.2bn driven by FX
- Moody's and S&P credit rating unchanged at A3 / A-stable
- Interim dividend increase of 4% (1/3 of 2015 FY dividend)



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Chief Executive



Strategy continues to deliver

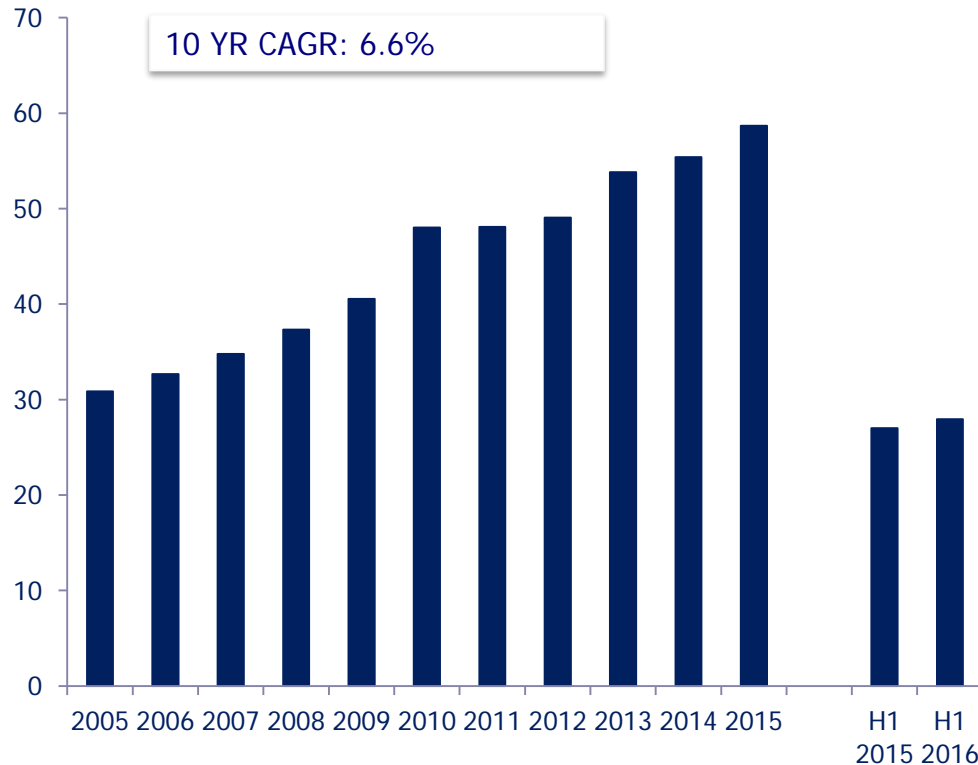


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- Volume: 28 billion, +3.4%
- Share up <10bps

10 YR CAGR: 6.6%



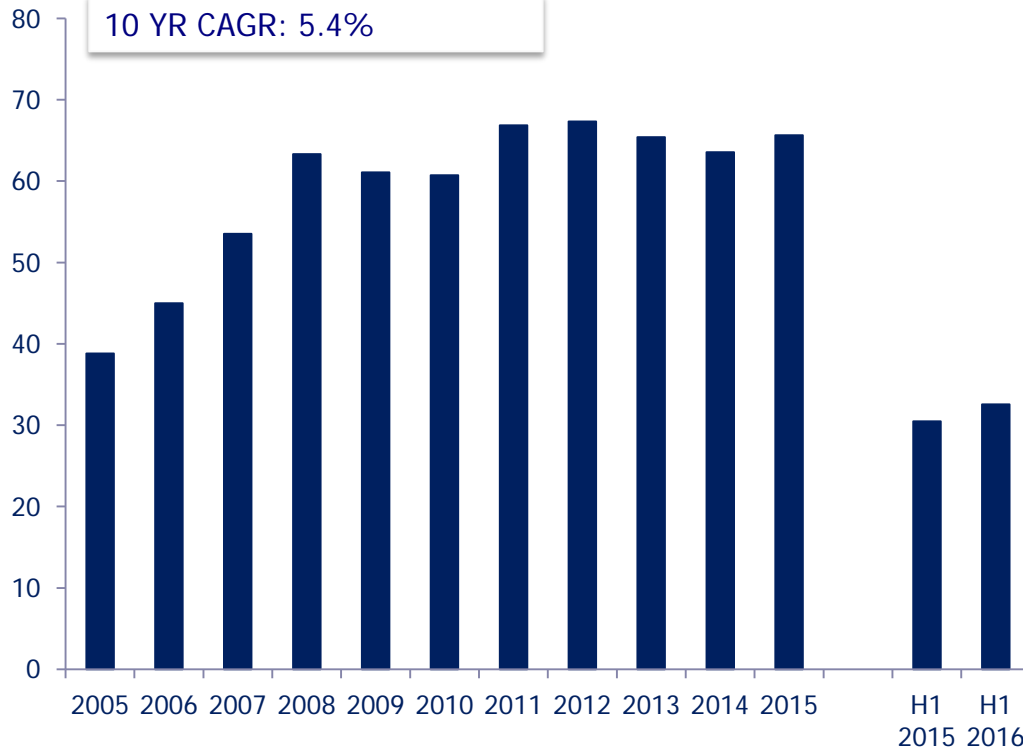
- 10th consecutive year of growth
- Number 1 international brand in Indonesia
- Volume grew, driven by Indonesia and South Korea
- Record 6.4% share in Romania

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KENT

- Volume: 33 billion, +6.8%
- Share up 10bps

10 YR CAGR: 5.4%

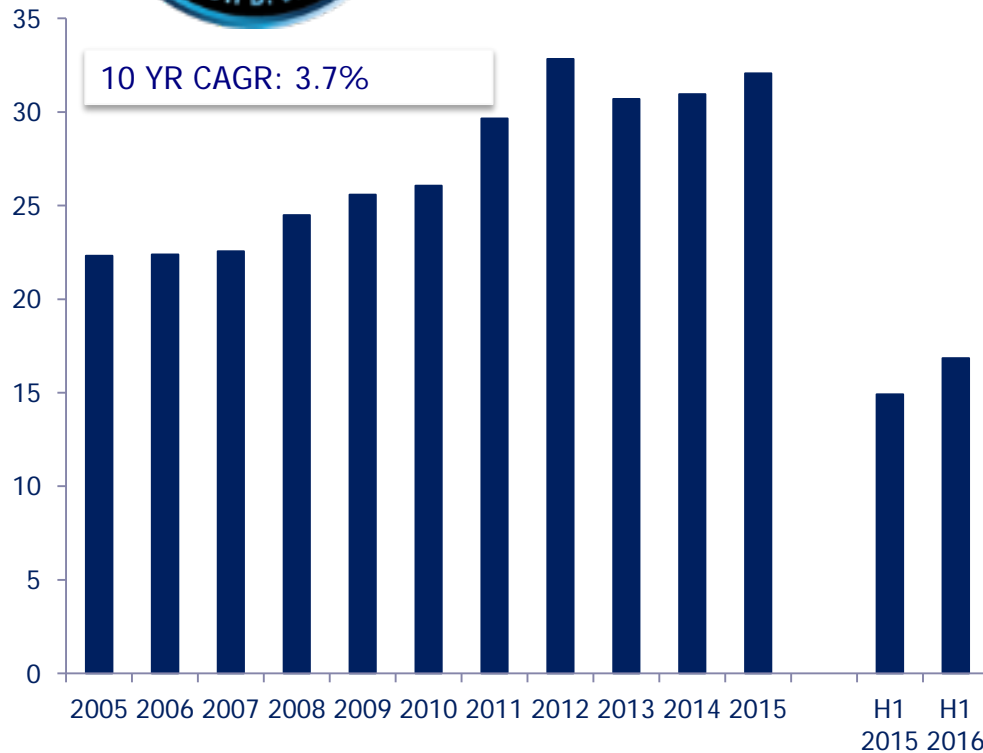


- Volume grew, driven by Japan, Russia and Turkey
- Turkey - Kent Switch doubled its market share
- Japan – Kent driving 3 consecutive years of corporate share growth
- Kent Spark – launch of new brand imagery

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- Volume: 17 billion, +13.0%
- Share up 10bps



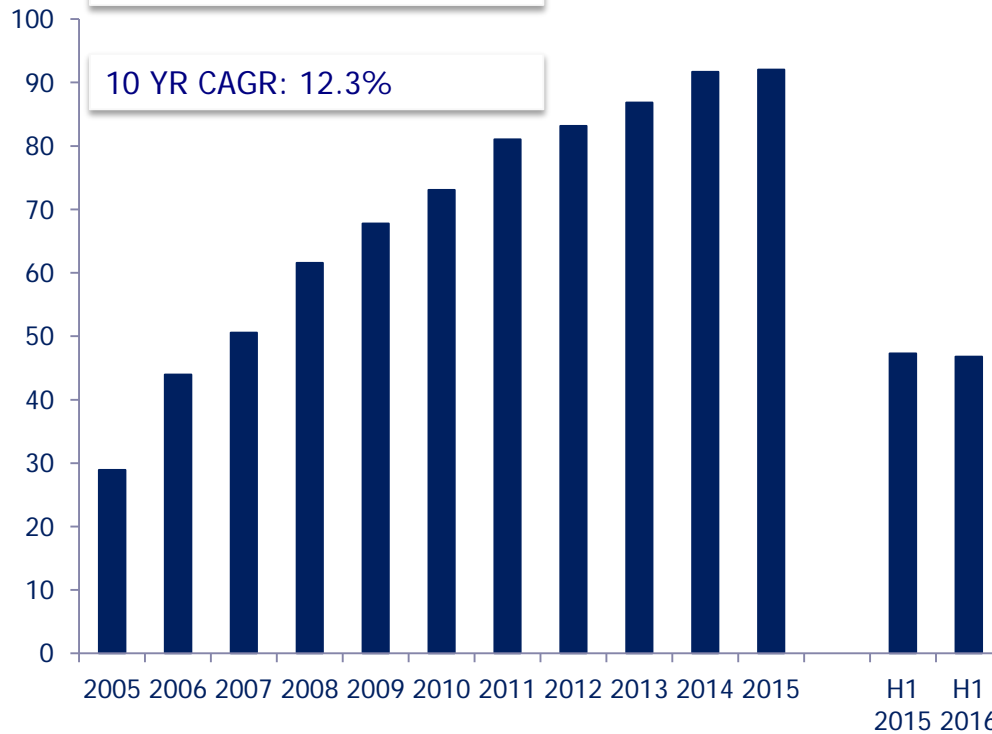
- Excellent volume growth of 13%, driven by the Black Series
- Strong performance in South America
- Record shares in Chile, Colombia and France
- Fastest growing brand in France since 2010

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- Volume: 47 billion, -1.0%
- Share up 10bps

10 YR CAGR: 12.3%

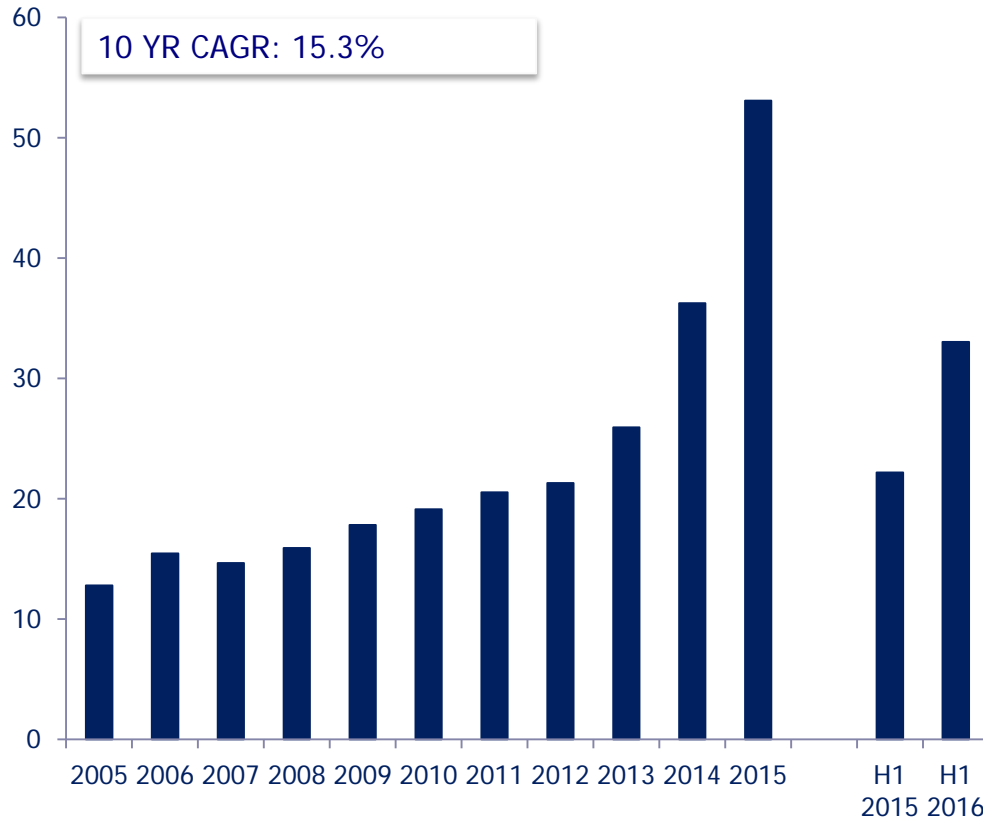


- Good organic volume in key markets, offset by industry contraction in Pakistan
- Share growth in Pakistan, Mexico and Romania
- Biggest brand in Venezuela
- Pall Mall Extra Cut driving share growth in Romania

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- Volume: 33 billion, +48.8%
- Share up 50bps



- Fastest growing international brand in the industry
- Record share in Turkey
- Australia – 17.9%, highest brand share globally
- Italy – successful migration



NGPs to satisfy consumer needs



NGPs to satisfy consumer needs

Strategy continues to deliver



Volume & Share growth in opportunity markets

M&A benefits

Margin opportunity

2016 H1 – A GOOD START TO THE YEAR

Volume

Share

Financials

VOLUME

+3.4%

CORPORATE
SHARE

+30bps

REVENUE

+8%

constant currency

PROFIT

+8%

constant currency
ex transactional fx

EPS

+19%

constant currency
ex transactional fx

GDB
VOLUME

+10.8%

GDB
SHARE

+80bps

Confident of another good year of constant currency earnings growth



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Cigarette volumes by region HY 2016

Region	Billions		
	2016	2015	% change
Asia Pacific	105	103	+2.0%
Americas	56	60	-6.6%
Western Europe	57	52	+11.0%
Eastern Europe, Middle East and Africa	114	107	+6.6%
Group	332	322	+3.4%

Cigarette volumes by region Q2 2016

Region	Billions		
	2016	2015	% change
Asia Pacific	55	54	+2.6%
Americas	28	31	-8.9%
Western Europe	31	28	+8.4%
Eastern Europe, Middle East and Africa	60	56	+7.5%
Group	174	169	+3.1%

Revenue by region HY 2016

Region	£m		
	2016	2015	% change
Asia Pacific	1,987	1,893	+4.9%
Americas	1,297	1,384	-6.3%
Western Europe	1,729	1,463	+18.2%
Eastern Europe, Middle East and Africa	1,656	1,658	-0.1%
Group	6,669	6,398	+4.2%

All numbers as reported

Adjusted profit from operations HY 2016

Region	£m		
	2016	2015	% change
Asia Pacific	761	776	-2.0%
Americas	536	622	-13.7%
Western Europe	590	519	+13.8%
Eastern Europe, Middle East and Africa	565	590	-4.2%
Group	2,452	2,507	-2.2%

All numbers as reported

Foreign currencies

	Average		Closing	
	2016	2015	2016	2015
Australian dollar	1.954	1.949	1.795	2.046
Brazilian real	5.308	4.527	4.283	4.885
Canadian dollar	1.907	1.881	1.736	1.963
Euro	1.284	1.366	1.203	1.412
Indian rupee	96.300	95.782	90.227	100.150
Japanese yen	159.892	183.311	137.142	192.443
Russian rouble	100.639	88.018	85.391	87.623
South African rand	22.075	18.162	19.577	19.089
US dollar	1.433	1.524	1.337	1.573