

## Chairman's introduction



Excellent underlying  
performance

“Your Company continued to perform very strongly in 2015, despite challenging conditions persisting across many markets”

Richard Burrows  
Chairman

## Welcome to our Annual Report for 2015. Your Company continued to perform very strongly in 2015, despite challenging conditions persisting across many markets.

At constant rates of exchange, the Group delivered adjusted diluted earnings of 229.1p per share, an increase of 10.1% on 2014.

Reported adjusted diluted earnings were 208.4p per share, an increase of 0.1% on 2014 as our excellent underlying performance was offset by the impact of currency fluctuations on our reported results.

We also delivered outstanding overall market share growth of over 40 bps across our Key Markets, driven by the excellent performance of our Global Drive Brands which grew by 8.5% and increased adjusted operating profit, at constant rates of exchange, by 4%.

## We aim to consistently deliver shareholder value

We remain very confident in our future. As such we are proposing a 4% increase in the final dividend to 104.6p per share. This takes the total dividend for 2015 to 154.0p.

If approved at our Annual General Meeting (AGM), the final dividend will be paid on 5 May 2016 to shareholders on the register on 18 March 2016.

## Sustainable growth

For us, sustainability is not a choice or something that is nice to have, it is crucial to securing the future of our business by creating shared value for consumers, our customers and our shareholders.

That is why, in addition to our continued investment in our traditional brands, our high growth markets, our systems and our people, we developed our Sustainability Agenda, focusing on tobacco harm reduction, sustainable agriculture and farmer livelihoods, and corporate behaviour. This ensures we have an ongoing focus on the matters which have the most relevance for our stakeholders and consequently the future health of our business.

Our 2015 activities in these areas are covered in greater depth within our Sustainability Summary report, which can be read separately. You can download this report from our corporate website at [www.bat.com/sustainability](http://www.bat.com/sustainability).

## Strategic investments in tobacco and beyond

Our commitment to delivering long-term value to our shareholders extends beyond investments in existing businesses and driving operational efficiencies. In 2015, we also completed a number of investments and strategic partnerships which enhance our opportunities for future growth.

We completed the acquisition of TDR in Croatia, the leading independent cigarette manufacturer in Central Europe. We acquired the rest of the shares in our Brazilian subsidiary, Souza Cruz, not currently owned by the Group and de-listed the company. We also concluded the investment of US\$4.7 billion to maintain our 42% stake in the enlarged, and substantially stronger, Reynolds American Inc., following its purchase of Lorillard Inc.

In addition, further signalling our commitment to leading in Next Generation Products, we signed a vapour products technology-sharing agreement with R.J. Reynolds Tobacco Company and completed the acquisition of the CHIC Group, the market-leading Vapour Product (e-cigarette) business in Poland.

## Board changes

I am pleased to report that we maintain our strong record on Board diversity, both in terms of gender and in the wide range of relevant backgrounds and nationalities represented among our Directors.

There are two proposed changes to the Board which will take effect from the conclusion of the forthcoming AGM. Karen de Segundo has indicated that she will be retiring from the Board at the end of this year's AGM on 27 April 2016, having served for eight years on the Board, nearly seven of which as Chairman of the Corporate and Social Responsibility Committee. Dr Richard Tubb will also retire from the Board at the conclusion of the AGM, having served as a Non-Executive Director since January 2013.

## The right strategy for a sustainable future

Reflecting on the success of 2015, let me express my thanks and appreciation to my fellow Directors on the Board, to our Chief Executive, Nicandro Durante, to management and to all our colleagues across the globe.

Looking to the future, I am confident that we have the right strategic focus, people and resources to deliver continued growth in the years ahead.

**Richard Burrows**  
Chairman



Download our Sustainability Summary report at [www.bat.com/sustainability](http://www.bat.com/sustainability)